DOCUMENT RESUME

ED 324 419 CE 055 865

AUTHOR Hall, Charles P., Jr.; Kuder, John M.
TITLE Small Business and Health Care. Results of a Survey.
INSTITUTION NFIB Foundation, Washington, DC.
REPORT NO ISBN-0-940791-08-0
PUB DATE 90
NOTE 78p.
AVAILABLE FROM The National Federation of Independent Business Foundation, 600 Maryland Avenue, SW, Suite 700, Washington, DC 20024 ($15.00).
PUB TYPE Reports - Research/Technical (143) -- Tests/Evaluation Instruments (160)

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS Adults; *Employer Attitudes; Entrepreneurship; *Fringe Benefits; *Health Care Costs; *Health Insurance; *Small Businesses; Surveys

ABSTRACT

A 1989 mail survey collected data regarding health insurance from 18,614 small business owners who were employer members of the National Federation of Independent Business. In all, 5,368 usable surveys were returned for a 29 percent response rate. Data were obtained on opinions about health care, health care markets, and general health policy; health insurance provided to part-time employees; and purchase of employee health insurance. Sixty-three percent of respondents reported sponsoring a health insurance plan to at least some employees. Respondents viewed the cost of health care and health insurance as a very important and vexing problem. Eighty-six percent agreed or strongly agreed that individuals have the primary responsibility for securing health insurance coverage. Over 62 percent believed that they could not pass on the cost of employee health insurance to customers in the form of higher prices. Reasons for wanting to provide employee health insurance were the beliefs that it would help attract better employees, it would improve employee morale, and their employees needed the benefit. Respondents rejected any type of government mandate to require employers to pay health insurance premiums. (The survey is appended.) (YLB)

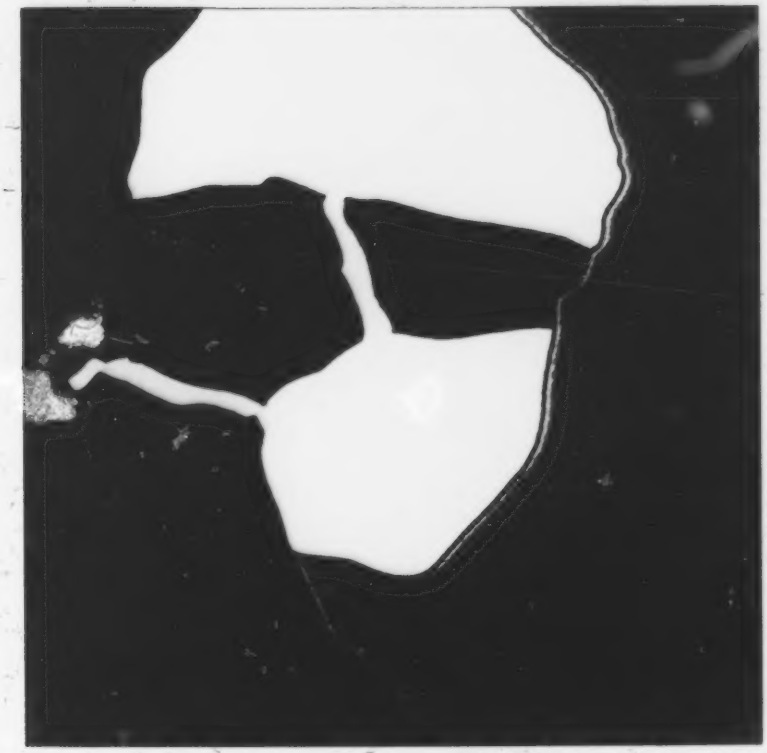
****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 332 451 CE 055 965

The NFIB Foundation

SMALL BUSINESS AND HEALTH CARE

RESULTS OF A SURVEY



Charles P. Hall, Jr.
John M. Kuder

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☒ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Laura Porter Hyre

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Small Business And Health Care: Results of a Survey

Charles P. Hall, Jr.
John M. Kuder

A publication of
The NFIB Foundation

© 1990 The NFIB Foundation

ISBN 0-940791-08-0

Table of Contents

Foreword i

Chapter 1. Background 1
Health Insurance and Employment 2
The Uninsured and Employment 3
The Uninsured, Small Business, and Public Policy 4
Mandated Programs 4
Incentive Based Proposals 5
Expansion of Medicaid 6

Chapter 2. Study Methodology, Survey Sample, and Coverage 7

Chapter 3. Values and Perceptions of Small Business Owners Toward the Health Insurance and Health Care Services Markets 11
Americans' Right to Health Care and Health Insurance 11
The Cost of Health Care and Health Insurance 13
Competition in the Health Services and Health Insurance Markets 14
Responsibility for Health Insurance Coverage 16

Chapter 4. Small Business Markets and Employee Health Insurance Benefits: The Employers' View 18
The Cost of Health Insurance and the Ability of Businesses to Pass on Costs and Compete 18
Health Insurance as a Benefit to Attract Employees 22
Health and Choosing Employees 23

Chapter 5. Small Employers' Perceptions Of the Health Benefit Needs and Wants Of Their Employees 25
Wages Versus Insurance Benefits 26
Part-Time versus Full-Time Employees 27
Older Employees and Those With Higher Wages 27
Dual Coverage 29
Current and Prospective Employees' Interest in Health Benefits 30

Chapter 6. Small Business Owners' Attitudes Toward The Role of Government and Mandated Benefits 33
Government Intervention in Health Care 34
Direct Government Role in Cost Containment 35
Government Payment for Coverage for the Poor 36
Taxes and Government Support of Health Care For the Poor 36
Mandated Coverage Issues 36

Chapter 7. Sponsorship of Health Insurance Benefits for Employees 40
Differences Between Firms Which Do and Do Not Sponsor Employee Health Insurance 40
Number of Employees 40
Geographic Location of the Firm 41
Age of the Business 42
Part-Time Versus Full-Time Employees 43
Full-Time Employees that are Heads of Households . . 43
Labor Market Conditions 44
Type of Industry, Employee Turnover, and Health Insurance 44
Size of Firm as Measured by Gross Sales Receipts 46
Financial Assets Withdrawn from the Business 47
The Businesses That *Do* Sponsor Employee Health Insurance Plans 47
Coverage of Part-Time Employees 49
Dependents, Exclusions, and Coverage of the Respondent's Family 50
Reasons for Sponsoring an Employee Health Plan . . . 52
The Businesses that *Do Not* Sponsor an Employee Health Plan 53
Multi-Variate Analysis 54

Chapter 8. What Could Change Current Coverage Policy for Employers? 58

Chapter 9. Conclusions 62

Endnotes 65

Appendix 66

Foreword

The cost of health insurance was identified by small business owners as their single most important problem as early as 1986. Since then, soaring health insurance costs have only increased their consternation. Small business owners currently providing health insurance benefits worry about the shrinking coverage that they purchase with a constant dollar. Some fear that further price increases will force them to drop the benefit altogether. Still others — those not providing insurance — frequently report that they either cannot now locate a group policy or that the policy they can locate is already beyond their means.

For more than forty years an increasing proportion of all Americans were covered by health insurance. The trend changed direction for at least part of the 1980's. The reversal surprised many people. It should not have. The cost of health care and health insurance far outpaced the rise in the Consumer Price Index and consumers responded as they should have been expected to respond. They choose to purchase comparatively less of a comparatively more expensive service.

With the decline in health insurance coverage, attention focused on the employed uninsured. Sixty-two percent of them worked in a small business (less than 100 employees). As a result, the number of inquiries received by The NFIB Foundation about small business and health insurance/care rose steadily over the past three to four years. Inquiries came from NFIB personnel, government officials, the industry, health and policy researchers, media and individual small business owners. Most expressed frustration over the lack of small business specific data at a time when the role of small employers was critical to amelioration of the coverage problem. The NFIB Foundation shared their frustration, and decided that it would collect additional information on relevant matters. A third NFIB/NFIB Foundation survey of small business owners about health insurance resulted.*

The survey originally had three principal objectives. The first was to obtain more data on small business owner opinions about health care, health care markets and general

health policy so that NFIB could more accurately represent the views and opinions of its constituency. The second was to collect basic information on health insurance provided part-time employees working in small businesses. Though this group of employees constitutes a significant portion of the small business labor force, little is know about the benefits they receive and the reasons small employers do (do not) provide them for part-time workers. The third purpose was to obtain a few crude elasticities on the purchase of employee health insurance. With prices rising rapidly and much of the policy related attention focused on coverage rather than cost, how changes in the price of health insurance and medical care affect small employer actions is critical.

As preparation of the questionnaire progressed, a fourth principal objective took shape. Do small employers believe their employees are demanding health insurance? And if so, how does perceived employee demand for health insurance affect small employer decisions to provide (not provide) it? Finally, the survey attempted to uncover important relationships that would contribute to our understanding about employer decisions to sponsor a health insurance plan. Examples include employer income and provision of employee health insurance, employer coverage under the employee plan, and the influence of attitudes on provision of health insurance.

The following pages are a generally descriptive summary of survey results. They were prepared by Charles Hall, Jr., and John Kudor, health care economists at Temple University in Philadelphia. The views expressed and interpretations made are the authors' and do not necessarily reflect those of The NFIB Foundation, sponsors of the Small Business Research Institute, or the National Federation of Independent Business.

The NFIB Foundation
April, 1990

---

*The two prior publications were: Richard M. Bailey and William C. Dunkelberg, ***National Health Insurance Report for Small Business***, National Federation of Independent Business: Washington, D.C., September, 1978, and William J. Dennis, Jr., ***Small Business Employee Benefits***, National Federation of Independent Business: Washington, D.C., December, 1985. Both publications are now out of print.

Chapter 1

Background

Small businesses have always been a dynamic force in the American economy. They remain so today. Millions of Americans own and operate small businesses. Over 19 million report income or loss from business activity. Self-employment (including small closely held corporations) is the principal occupation of over 9 million Americans. Approximately 4 million enterprises employ people other than their owners. Of that 4 million, only 15,500 businesses are large, i.e., employ more than 500 people, compared to 3¼ million that employ fewer than 10.

Small business has earned a reputation over the last two decades as the nation's "job generator." New firms and those with less than 20 employees have been responsible for a vastly disproportionate share of the net new employment generated over the last 20 years. Small business as a whole (including those small firms with more than 20 employees) has been responsible for the preponderance of the nearly 34 million net new jobs created in the private sector over the period. The exact percent of net new employment generated by small business is dependent on the time period evaluated, the definition of small business employed and the methodology used to handle such questions as missing data. However, the Small Business Administration estimated that firms with fewer than 100 employees created 64 percent of the 10.5 million net new jobs that were created between 1980 and 1986.[1] Small business now employs over half of the private sector workforce, and the proportion grew in the 1980's.

The recent restructuring of the economy has made small business even more important. Greatest employment growth is occurring in the service and retail trade sectors where smaller firms are common. The Bureau of Labor Statistics projects that during the 1984–1995 time period the service sector will account for 11.3 million new jobs and the retail trade sector will account for 2.9 million more; jobs in the goods-producing industry will increase at a much slower pace.[2] Because of the nature of small firms, these changes are bringing with them a new set of public policy issues. Foremost among those issues is the question of how we develop public policies that do not stifle the sector's eco-

nomic growth while encouraging an adequate standard of living for employees of these enterprises.

A serious problem that has, at least in part, resulted from the restructuring of the economy is the increase in the number of individuals and families without any form of health insurance coverage. The largest segment of this uninsured population has been the employed uninsured, those people that have jobs but still have no health insurance. Public policies to address this growing problem are now under debate and represent a wide range of approaches. The NFIB Foundation undertook this study because the problem is real and growing, and because any effective public policy that addresses the issue must be based on a reasonable understanding of the causes and nature of the problem.

This report presents the results of a survey of small business owners conducted during the Spring of 1989. The survey and this report focus on the opinions, attitudes, and responses of small business owners and operators regarding health insurance benefit issues. The remainder of this initial section provides background on current public policy issues that were the principal reasons for conducting the study.

Health Insurance and Employment

The predominant form of private health insurance in the United States is the employer-sponsored group plan. In 1985, nearly 90 percent of the privately insured population obtained its health insurance via an employer-sponsored or union-sponsored group plan.[4] Private insurance is the only health insurance option available for most Americans. Just 11 percent of the population received public health insurance benefits from Medicare, Medicaid, and the various military related programs in 1985.[4] This situation contrasts sharply with nearly all of the industrialized world where most benefits are sponsored through public programs. Dependence upon employer-based insurance is one reason for the increasing numbers of Americans that are without any form of health insurance coverage. According to the U.S. Census Bureau, in 1985 almost 37 million Americans were without health insurance.[5]

Health insurance is the primary means by which most industrialized nations support the increasingly expensive and technologically complex provision of medical care services to their citizens. However, the cost of medical care has escalated dramatically. Between 1977 and 1987, total personal health care expenditures in the United States tripled.[6] Total national health expenditures constituted 11.2 percent of the Gross National Product in 1987.[7] Where a single episode of illness that requires a short hospital stay can cost thousands of dollars, nearly everyone without health insurance is potentially medically indigent and is at risk of being forced into poverty by sickness.

Likewise, providers of medical care are dependent upon

health insurance companies to pay their bills and finance the continuing presence of increasingly expensive technology and services. Because hospitals are the single major provider of effective but expensive technologies, they are particularly dependent upon patients with some form of health insurance as a source of cash flow. Between 1980 and 1984 the amount of care provided by hospitals for which they were not reimbursed more than doubled.[8] At the same time the remaining source of funds for hospitals — charity — has dwindled to an insignificant percentage of all hospital revenue sources. Therefore, not only is the financial security of individuals dependent upon health insurance, but the ability to finance our system of medical service provision is dependent upon a population which has adequate health insurance coverage. For the past decade at least, hospitals have relied heavily on their ability to cost shift, or charge more for privately insured patients in order to offset the losses incurred from treating uninsured individuals and those covered by public programs that insufficiently reimburse for services rendered.

The Uninsured and Employment

A large portion of the uninsured population is employed at least some time during the year. This working population and their dependents account for over 70 percent of the total number of uninsured in the United States.[9] Of the uninsured population between the ages of 19 and 65 in 1985, 28 percent were employed full-time for at least 50 weeks during the year.[10]

Using Current Population Survey data, the General Accounting Office (GAO) showed that the number of uninsured Americans under the age of 65 increased 13 percent from 1982 to 1985. Perhaps even more alarming is that the number of working uninsured grew 22 percent during the period. The number of uninsured who were employed full-time for a full year increased 24 percent from 1982 to 1985. According to the GAO report, this change was the result of the expansion of the work force into sectors of the economy, like small businesses in the service and retail trade areas, with traditionally low insurance coverage.[11] While the point is correct, the dates GAO chose, 1982–1985, undoubtedly exaggerated the outcome. The years 1982–1985 encompassed a period which started in the depths of a recession when marginal workers were unemployed, and ended at the height of expansion when almost everyone was working. However, a reduction in access to employment related health insurance due to changes in sources of employment opportunities is a major factor contributing to the recent rise in the number of uninsured.

Several studies have pointed to the relationship between the availability of employer-sponsored health insurance and the size of the business firm.[12] The largest number and percentage of the employed uninsured work for firms with

fewer than 25 employees. According to the 1987 Small Business Administration Report to the President, 48 percent of the employed uninsured worked for small businesses having fewer than 25 employees.[13] However, firm size alone is an insufficient reason for not sponsoring employee health insurance. The majority of small businesses with fewer than 100 employees do provide health insurance coverage for their employees. Therefore, the question remains why some small businesses offer health insurance coverage for their employees and why others do not. This report is designed to address the issue.

The Uninsured, Small Business, and Public Policy

The increasing number of employed uninsured has not been ignored by policy analysts, the public, or government officials.

As a result, a variety of public policy directions are being considered as mechanisms to alleviate the problem. Several of the proposed plans have adopted some form of a strategy which would require or mandate employers to make coverage available to their employees. A second group of proposals center around a different strategy, one in which government provides incentives for employers to sponsor health benefit plans. A third set of proposals focus on increasing government's role in providing health benefits for "at-risk" populations. Expanding the Medicaid program to allow those currently ineligible to buy into it or by drastically altering our current public health insurance and welfare programs to provide coverage for the uninsured population are examples. A less discussed fourth option is a Heritage Foundation proposal that every person (above some income level) must show financial responsibility, i.e., demonstrate coverage. If the employer does not provide health insurance, the individual must. Such a system would be similar to the system formerly used in Ontario, Canada.

Mandated Programs

Hawaii is currently the only state that mandates employers to sponsor health insurance for their employees. Hawaii's law specifies that employers must offer a health insurance plan to all employees that work over 250 hours per quarter. (This translates into about 19 hours per week assuming even distribution of work throughout the quarter.) It further specifies that most firms must contribute 50 percent of the plan's cost.

A much heralded recent law passed in Massachusetts technically would not require the employer to provide health insurance. Rather, it prescribes a financial penalty if a firm fails to offer coverage. As of this writing, the future of the Massachusetts law is in serious doubt. It was originally to have been phased in over a period of several years. However, the Massachusetts legislature, facing a mounting state deficit, refused to fully fund the initial steps toward imple-

mentation during the summer of 1989 and mounted an effort to repeal the law. As of December, the effort had failed, but full implementation is still not scheduled until 1992.

Similar types of legislation have been proposed at the federal level. Senator Edward Kennedy is expected to reintroduce his Minimum Health Benefits for All Workers bill which would require employers to provide most employees and their dependents with health insurance benefits. The 1987 version of the bill would have required employers to pay at least 80 percent of the premiums. A risk pooling mechanism would have been created to help spread the health risk across small businesses in the hopes that it would cut small businesses health insurance costs.

Fundamental questions arise regarding the potential effects of a mandated health insurance program. Foremost among these questions are concerns about the extent to which they would both price minimum wage workers out of the employment market and price small businesses out of their service and product markets. Furthermore, there are questions about how small business owners would respond to a law on important matters such as compliance, employment practices, and price increases.

Incentive Based Proposals

A number of alternatives to mandated coverage policies have arisen with most focusing on providing incentives for businesses to sponsor health insurance plans. One type of incentive involves tax policy. For example, the Tax Reform Act of 1986 allows the self-employed and owners of unincorporated businesses to deduct from their taxable income 25 percent of the premium cost of their own health insurance plans. California has recently passed a tax incentive plan for small employers which uses five-year tax credits. Similar and more ambitious tax plans for other small businesses are under consideration as a means to encourage firms to obtain health insurance and reduce relative health costs. Some believe too much insurance is purchased encouraging people to over-utilize the health care system and drive up costs. They would eliminate the tax subsidy for health insurance, usually above some minimum level.

A frequently debated alternative incentive plan is the use of insurance risk pools either established and run by the government or merely government subsidized. Under these plans small businesses might be eligible for lower cost group health insurance, thus establishing an added incentive for them to sponsor a health plan. Industry pooling arrangements via multiple employer trusts (METs) or Taft-Hartley trusts provide possible organizational models for structuring such arrangements. Several local programs, such as the MET in Cleveland, have had some success in providing insurance for a portion of the employed uninsured population. Florida passed legislation in 1987 establishing a

state sponsored non-profit corporation whose task it has been to organize health care coverage for small uninsured firms. Fourteen other states have similar legislated risk pool programs, but most focus on the population of medically uninsurable individuals with health conditions that make them unacceptable risks to private insurers. A recent General Accounting Office review of the risk pool programs concluded that there is currently no conclusive evidence regarding their effectiveness.

Still other incentive based programs would lower relative costs by requiring hospitals to provide price information and morbidity rates. Pennsylvania has moved in this direction, though the full impact of the law is yet to be felt. Eliminating state mandates (discussed later) and curbing state regulatory efforts that hinder insurers implementing cost containment programs are other proposals for lowering relative insurance costs. These types of policies could become quite important, but would substantially change many existing practices.

Expansion of Medicaid

A third strategy aimed at addressing the problems that result from having a large portion of the population uninsured would be to offer a public health insurance plan to the uninsured and/or their employers. One such plan would allow the uninsured low income population to buy into the current Medicaid plan. A sliding scale premium based upon income would help provide a premium subsidy for those individuals that otherwise might not have sufficient money to purchase health insurance coverage. Other approaches might allow small employers to buy public health insurance plans for their workers on a subsidized basis.

The final option is a nationalized health insurance system patterned after Great Britain's or other European models.

Chapter 2

Study Methodology, Survey Sample, and Coverage

A mail survey of small business employers collected the data on which the following text is based. The survey was conducted in early 1989, and resulted in 5,368 usable responses. With the caveats outlined below, the survey responses appear reasonably representative of the American small employer population.

A sample of 18,614 small business owners was drawn randomly from the employer members of the National Federation of Independent Business (NFIB). (Non-employers, about 6 percent of the membership, were not eligible for selection.) Prior research shows the NFIB membership to be generally representative of the total small business population on a variety of demographic characteristics.[1] However, NFIB members are somewhat larger and older than is the population.

Letters explaining the project and the survey were mailed to an initial sample of 15,023 on January 6, 1989. A second mailing was sent January 20. An error in drawing the sample was discovered after responses to the two mailings were tabulated. The sample had been drawn from a population that included small employers located only in the first 40 states (alphabetically). Omitted states constituted 19 percent of the population. Thus, an additional sample of 3,591 proportionate to the 10 states' share of the total was randomly drawn from the last 10 states. This latter group was mailed the same letter and questionnaire on February 21 that the first group received earlier. A second mailing was sent to the second group on March 10. In all, 5,368 usable surveys were returned for a 29 percent response rate.

A comparison of the estimated small employer universe and survey respondents by employee size of firm, industry distribution, and geographic location is presented in Table 2.1. The table demonstrates that the estimated universe and the respondents are similar in industrial distribution. Employee size is also generally similar with the exception of the smallest size class (1–4 employees) which is underrepresented among the survey respondents. The regional distribution exhibits a western bias. The two Eastern regions are underrepresented while the Central region is the opposite. The Mid-West and Pacific regions appear in their appro-

TABLE 2.1: Profile of Survey Respondents Compared to the Estimated Small Business Universe on Selected Dimensions (in percent)

Industry	Survey Response	Small Business Data Base
Construction	15	14
Manufacturing/Mining	14	10
Transportation/Communication	3	4
Wholesale	8	11
Retail	25	28
Agriculture	6	3
Finance	7	7
Services	23	23

Employee Size	Survey Response	Small Business Data Base*
4 or Fewer	41	53
5–9	24	23
10–19	16	12
20–49	12	8
50–99	4	3
100 or More	3	2

Region	Survey Response	Small Business Establishments†
Northeast	16	21
Southeast	16	21
Mid-West	19	19
Central	32	23
Pacific	16	16

*State of Small Business, Office of Advocacy, SBA, Washington, D.C., 1987, pp. 59–60
†State of Small Business, Office of Advocacy, SBA, Washington, D.C., 1989, pp. 94–95

priate proportions.

Businesses in the sample are older or more mature than are those in the universe. However, we cannot reliably determine the differential between respondents and the population. No good data on the latter exist. Studies based on the Dun & Bradstreet files indicate that half the nation's businesses turnover every six years. But not all firms enter the Dun's files at birth; others never make them. With just 35 percent of survey respondents owning businesses less than 10 years old, however, respondents are clearly older than is the population.

Many variables in the survey are related to business size and age, e.g., provision of employee health insurance. Thus, circumstances and opinions of those owning larger and older firms are overrepresented in the raw totals. (The same does not appear true of the regional discrepancies.) Despite these problems, the data are reflective of the attitudes and

TABLE 2.2: What is your form of business? (var FORM, question 1) n = 5368

Business Form	Percent of Business Respondents
Proprietorship	30.0
Partnership	6.7
Sub-S Corporation	14.5
Corporation	48.8
Total	100.0

activities of the nation's small employers.

While the firms surveyed took different organizational forms, the largest groups were in the corporate (almost half) and sole proprietor (almost a third) categories. The distribution is shown in Table 2.2.

Respondents were also asked to provide their gross receipts during the past year (Table 2.3) and to describe the direction of their firm's gross sales over the past two years (Table 2.4). The responses indicate a reasonable cross-sec-

TABLE 2.3: During the last calendar or fiscal year, what were your gross receipts? (var SALES, question 8) n = 5368

Gross Receipts	Percent of Business Respondents	Cumulative Percent
No Answer	2.3	2.3
Under $100,000	9.7	12.0
$100,000–199,999	16.4	28.4
$200,000–349,999	16.6	45.0
$350,000–749,999	18.8	63.7
$750,000–1,499,999	15.1	78.9
$1,500,000–2,999,999	10.2	89.0
$3,000,000–and over	11.0	100.0

TABLE 2.4: Which best describes your annual gross sales over the last two years? (var SLSTWO, question 5) n = 5368

Sales Change	Percent of Business Respondents
No answer	1.0
Declined [more than 10%]	8.7
Declined a bit [5–10%]	12.8
Stayed the same	25.7
Grew [5–25%]	42.2
Grew rapidly [26% +]	7.1
Too new to tell	2.4
Total	100.0

tion of small to medium size firms which underrepresent very small businesses. Just over 80 percent of the firms had experienced results falling between moderate decline and reasonable growth in the two most recent years of operations.

The influence of the above factors on business owner behavior with respect to health insurance benefits will be considered in Chapter 7.

Chapter 3

Values and Perceptions of Small Business Owners Toward the Health Insurance and Health Care Services Markets

A discussion with any American about his/her health and the health of others is very likely to evoke strong feelings and value statements. Because health care services and health insurance are seen as factors influencing an individual's health and the burden of illness, discussions of these markets are also likely to be affected by strong value judgments. Owners of small businesses are no different. Because they are business owners, they also have strong feelings about the economic viability of their enterprises. In an effort to identify and measure some of these attitudes, the survey incorporated a number of questions about small business owners' attitudes toward general health related issues and the markets for health care services and health insurance. On many of these issues small business owners disagree among themselves, disagreement that is not easily explained by economic factors. However, on important issues like the right to health care, the cost of health insurance and health services, and the responsibility of businesses to provide health insurance coverage for their employees, there is consensus.

Americans' Right to Health Care and Health Insurance

Owners were asked if they agreed with a number of statements about Americans' right to health care and health insurance benefits. Sixty-nine percent of responding owners either agreed or strongly agreed that every American has the right to basic health care; only 17 percent disagreed (Table 3.1). Over 63 percent also agreed that Americans should receive a minimum level of health care regardless of their ability to pay (Table 3.2). A minority (24%) either disagreed (17%) or strongly disagreed (7.6%) with this statement.

A considerable variety of owner' opinions existed on whether health insurance should be provided to all employees or whether it should be a reward for loyal service (Table 3.3). Of those with a stated opinion, 58 percent felt health insurance should be a reward. However, a sizable number of respondents disagreed (40% of those with an opinion). In general, the respondents that considered health

TABLE 3.1: Every American has a right to basic health care (var 16, question 7-h) n = 5368

	Percent of Business Respondents
Strongly Agree	18.0
Agree	51.0
No Opinion	12.3
Disagree	12.7
Strongly Disagree	4.5
No Answer	1.5
Total	100.0

TABLE 3.2: Americans should receive a minimum level of health care regardless of their ability to pay (var 1, question 3-a) n = 5368

	Percent of Business Respondents
Strongly Agree	18.1
Agree	45.4
No Opinion	8.7
Disagree	17.1
Strongly Disagree	7.6
No Answer	3.0
Total	100.0

TABLE 3.3: Employee health insurance should be a reward for loyal service, not just granted everyone (var 30, question 13-f) n = 5368

	Percent of Business Respondents
Strongly Agree	14.1
Agree	35.3
No Opinion	14.4
Disagree	31.8
Strongly Disagree	3.1
No Answer	1.4
Total	100.0

insurance a reward felt more strongly about their position than did owners that disagreed with that view. Owners of larger firms who already offered employees a health benefit plan were somewhat more likely to disagree with the statement that health insurance should be a reward for loyal service rather than a benefit for all workers. For example, slightly over 50 percent of the 372 respondents that offered at least some employees a health insurance plan and that reported 50 or more employees either disagreed or strongly disagreed that health insurance should be primarily a reward for loyalty.

Divided opinion also arose on whether or not health insurance should be one of the first employee benefits that employers offer (Table 3.4). Owners agreeing that health insurance should be one of the first benefits outnumbered those that disagreed by approximately a three to two ratio. As a practical matter, health insurance is one of the first benefits introduced according to William Dennis of The NFIB Foundation. He found that paid vacations are almost always the first benefit and health insurance the second. Life and disability insurance as well as pensions are usually further down the list.

The Cost of Health Care And Health Insurance

Small business owners across the nation are a diverse group with quite varied opinions about many issues. They are, however, virtually unanimous in their serious concern about the cost of both health care and health insurance. Over 66 percent of respondents strongly agreed that "the cost of health insurance is a serious business problem" (Table 3.5). An additional 26 percent agreed with that statement. Only 4.2 percent disagreed or strongly disagreed. Likewise, 90.3 percent of responding small businessmen and women agreed or strongly agreed with the statement that health care is becoming prohibitively expensive (Table 3.6). These results leave no doubt about how important the cost of health services is to operators of small businesses across the nation. This is consistent with a 1986 study in

TABLE 3.4: Health insurance should be one of the first employee benefits that employers provide (var 4, question 3-d) n = 5368

	Percent of Business Respondents
Strongly Agree	11.9
Agree	41.4
No Opinion	9.3
Disagree	25.6
Strongly Disagree	10.0
No Answer	1.8
Total	100.0

TABLE 3.5: The cost of health insurance is a serious business problem (var 3, question 3-c) n = 5368

	Percent of Business Respondents
Strongly Agree	66.4
Agree	26.0
No Opinion	1.9
Disagree	2.6
Strongly Disagree	1.6
No Answer	1.4
Total	100.0

TABLE 3.6: Health care is becoming prohibitively expensive (var 20, question 10-d) n = 5368

	Percent of Business Respondents
Strongly Agree	50.7
Agree	39.6
No Opinion	2.5
Disagree	4.2
Strongly Disagree	1.2
No Answer	1.8
Total	100.0

which small business owners identified "cost of health insurance" as their single most important problem (out of 75 listed problems).[15]

Competition in the Health Services and Health Insurance Markets

For a number of years, policy makers have openly expressed disappointment regarding the ability of regulatory policy to successfully control the cost of health care. As an alternative, many have supported efforts to rely more heavily on policies designed to increase competition among health insurers and health care providers. Small business owners, most of whom are in very competitive markets, may be in a good position to tell us about the degree of competition they witness in the health insurance and health services markets.

The majority of respondents agreed with the statement that there is no real competition among providers of health care services (Table 3.7). Sixty-seven percent of those with an opinion either agreed or strongly agreed while fewer than one-third disagreed or strongly disagreed. This small business perception of the health care marketplace is not likely to be shared by health care providers, most of whom feel

TABLE 3.7: There is no real competition among providers of health care services (var 14, question 7-f) n = 5368

	Percent of Business Respondents
Strongly Agree	17.4
Agree	38.6
No Opinion	14.3
Disagree	20.9
Strongly Disagree	6.4
No Answer	2.3
Total	100.0

TABLE 3.8: Insurers compete hard to sell me employee health insurance (var 37, question 15-e) n = 5368

	Percent of Business Respondents
Strongly Agree	6.8
Agree	27.2
No Opinion	14.3
Disagree	39.5
Strongly Disagree	10.1
No Answer	2.1
Total	100.0

that they currently face intense competition for market share.

Nearly 50 percent of small business owners disagreed with the statement that "insurers compete hard to sell me employee health insurance" (Table 3.8). Less than 7 percent felt strongly that there was strenuous competition for their health insurance business. Insurers would probably agree. Few actively compete in the small group health insurance market. However, health insurer competition was not necessarily more strenuous for the business of employers with a larger number of employees and which already offered a health insurance plan than it was for the very small.

Table 3.9 presents health insurance competition by the size of the firm when only employers that offered a health insurance plan are included in the analysis. Larger employers (greater than 50 employees) that offered an insurance plan were only slightly less likely to disagree than was the entire sample of small business owners (41% versus 50%). These results indicate that a significant portion of small business owners, regardless of size or whether they of-

TABLE 3.9: Insurers compete hard to sell me employee health insurance (var 37, question 15-e)

	Percent of Business Respondents According to Number of Full-Time Employees				
	1-4	5-9	10-19	20-49	50+
Strongly Agree	7.7	7.1	6.3	6.3	5.7
Agree	27.7	29.5	27.9	32.1	38.1
No Opinion	13.5	12.5	11.0	9.4	12.4
Disagree	39.4	38.6	43.1	42.2	32.9
Strongly Disagree	9.6	10.5	10.1	8.6	8.6
No Answer	2.1	1.8	1.5	1.4	2.4
Total	100.0	100.0	100.0	100.0	100.0

fer their employees a health insurance plan, are concerned that there is not sufficient competition among health insurers for this portion of the market.

Responsibility for Health Insurance Coverage

Survey participants were asked about responsibility for employee health insurance coverage. It is apparent that the majority of respondents felt the primary responsibility for seeing that the employee had health insurance coverage lay with the individual employee and not the employer. Fewer than 6 percent of respondents disagreed or strongly disagreed with the statement that individuals have first responsibility to see that they have coverage (Table 3.10).

Only 24.8 percent agreed or strongly agreed with the statement that employers have a responsibility to provide employee health insurance (Table 3.11). Responses to the query about employer responsibility varied somewhat depending upon the number of persons the business owner reported in his/her employ. For example, among employers that offered a health insurance plan, only 27 percent of

TABLE 3.10: Individuals themselves have first responsibility to see that they have health insurance coverage (var 38, question 15-f) $n = 5368$

	Percent of Business Respondents
Strongly Agree	28.7
Agree	57.3
No Opinion	6.8
Disagree	4.6
Strongly Disagree	0.7
No Answer	1.9
Total	100.0

TABLE 3.11: Employers have a responsibility to provide employee health insurance (var 40, question 15-h) n = 5368

	Percent of Business Respondents
Strongly Agree	4.6
Agree	20.2
No Opinion	9.9
Disagree	41.7
Strongly Disagree	22.1
No Answer	1.5
Total	100.0

owners with between 1 and 4 employees agreed or strongly agreed that employers have a responsibility to provide employee health insurance; 59 percent disagreed. Among the comparable group of owners with between 50 and 99 employees, 36 percent thought it was their responsibility to provide health insurance. The number increased to 42 percent among the 162 respondents with 100 or more employees. The majority of small business owners did not believe it is their responsibility to provide employee health insurance, and the smaller the employee group the less likely the owner was to feel this responsibility.

Chapter 4

Small Business Markets and Employee Health Insurance Benefits: The Employers' View

The economic ability and/or incentive for employers to provide health insurance benefits depend upon the market conditions for their product or service, the labor market conditions from which they obtain their employees, and the firm's particular cost structure. If there exists a group of firms all competing in the same local market and none provide health insurance benefits to employees, the imposition of a requirement to provide health insurance benefits as an added cost will force changes in the market. Depending upon market conditions, profits might decrease, employment may be reduced, businesses might close, prices might increase, or some combination of these effects might emerge. The added cost will have to be paid by someone (consumer, business, or employee). But, unlike a tax, the resulting cost will be hidden and will not be spread across the entire population.

Owners were asked a number of questions to ascertain their views about conditions in their product and labor markets. Later in this report (see Chapters 5 and 8), we tackle the related question regarding owners' likely response to various policy and market changes.

The Cost of Health Insurance and the Ability Of Businesses to Pass on Costs and Compete

It comes as no surprise that over 62 percent of the small business owners surveyed disagreed or strongly disagreed that "the cost of employee health insurance can be passed on to customers in the form of higher prices." Only 3.9 percent strongly agreed with the statement; 26.1 percent agreed (Table 4.1). That some disparity exists no doubt reflects the wide range of businesses represented in the survey. Nevertheless, most small business owners clearly did not see a price hike as a viable alternative. Indeed, over four times as many respondents (18.5%) strongly disagreed with the statement as compared with those that strongly agreed.

Given the perceived difficulty of passing on costs, strong support for the statement that "health insurance costs raise (would raise) payroll costs to the point where it is (would be) difficult to compete" was expected. Nearly 73 percent agreed or strongly agreed with the statement while less than 15 percent disagreed, almost none strongly (Table 4.2). It may be inferred that these small business owners were sug-

TABLE 4.1: The cost of employee health insurance can be passed on to customers in the form of higher prices (var 9, question 7-a) n = 5368

	Percent of Business Respondents
Strongly Agree	3.9
Agree	26.1
No Opinion	6.0
Disagree	43.7
Strongly Disagree	18.5
No Answer	1.8
Total	100.0

TABLE 4.2: Health insurance costs raise (would raise) payroll costs to the point where it is (would be) difficult to compete (var 39, question 15-g) n = 5368

	Percent of Business Respondents
Strongly Agree	25.1
Agree	47.6
No Opinion	11.3
Disagree	13.1
Strongly Disagree	1.4
No Answer	1.4
Total	100.0

gesting that higher health insurance costs would make it difficult for them to compete with larger firms. Presumably, if all small firms faced the same situation, they would all "be in the same boat" with regard to competition among themselves. On the other hand, it could be argued, in light of other responses (see Chapter 8), that the higher payroll costs might simply force the cessation of operations.

In light of the high costs associated with health insurance benefits, employers were asked whether employees should pay at least half of the premiums in an employer-sponsored health plan. The results were mildly surprising in view of the strong majority (86%) of the respondents who felt that the primary responsibility for health insurance rests with the individual and the nearly 64 percent who felt that it is not the employer's responsibility to provide coverage (Tables 3.10 and 3.11). Just under 60 percent of the respondents agreed that employees should pay at least half the premium; less than 14 percent felt strongly about it. Over 20 percent disagreed or strongly disagreed, and a surprisingly large 17.5

TABLE 4.3: Employees should pay at least half of the premiums in an employer-sponsored health plan (var 35, question 15c) n = 5368

	Percent of Business Respondents
Strongly Agree	13.9
Agree	46.0
No Opinion	17.5
Disagree	17.9
Strongly Disagree	3.6
No Answer	1.2
Total	100.0

percent expressed no opinion on the subject (Table 4.3).

Table 4.4 presents the results when employers were presented six different scenarios and asked, under each set of circumstances, which of three premium sources, i.e., the individual (or family), the employer (or former employer in the case of an unemployed person) or the government, would be most appropriate. The question did not provide an option for splitting costs. This arbitrary and, quite possibly, unrealistic constraint apparently pained many respondents given the number of comments and the number of answers that had to be classified as "N/A" because of insistence on splitting premium sources.

It is not surprising that over half of the small business owners felt that the individual should pay for his/her own health insurance benefits. But it was something of a shock to find that 47 percent felt that an *unemployed* person should pay for the coverage. Though understandable that the employer would not like to pay for such individuals, it was strange to discover that more thought the individual should pay than would give that responsibility to the government. This is particularly surprising in light of the fact that 69 percent feel that every American has a right to basic health care (Table 3.1). It is not clear how an unemployed person would find the money to pay premiums which the business owners themselves feel are too expensive. Thus, it can be argued that the position of small business owners as reflected in Table 4.4 is unrealistic, but it is not inconsistent with the views expressed earlier regarding the primacy of individual responsibility.

In some respects, the response with regard to part-time workers with under $10,000 of family income was even more harsh. In this case, over 53 percent of the business owners surveyed thought that the individual should bear the burden of the premium and only 28 percent felt that government should pay. This represented over 13 percent less support for government help than in the case of the un-

TABLE 4.4: Assuming costs cannot be split or shared, who should pay the health insurance premiums of (in percent): (var PayPrem, questions 16 a-f)

	Indiv/ Family	Employer	Gov't	No Answer
1. FT worker, family income = $25,000	59.7	27.3	6.4	6.6
2. FT worker, family income = less than $10,000	34.9	28.9	29.0	7.2
3. An unemployed person	47.0	1.5	41.6	10.5
4. Children of FT worker w/family income = $25,000	71.3	14.5	7.8	6.4
5. A PT worker whose family income = less than $10,000	53.2	10.6	28.2	8.0
6. A teenage PT worker, living @ home whose total family income = $25,000	82.5	5.2	6.4	5.9

KEY:
FT = full-time
PT = part-time

employed worker. It is hard to explain why nearly 20 percent more respondents feel that a part-time worker with less than $10,000 of family income should pay for health insurance than feel that way for full-time workers with the same level of income. Again, it is not surprising that they would be almost three times more willing to have the business pick up the bill for a full-time worker (28.9% v. 10.6%) than for a part-timer. Small business owners, much like their larger business counterparts, sharply distinguish between their responsibilities toward full and part-time employees. But it is not clear why they feel the extra burden should go to the individual, who is clearly without means, rather than to the government.

The results with respect to responsibility for costs of coverage for children of workers with incomes of $25,000 was predictable. Little support existed for employer or government paid benefits for this group. It is clear that most of those surveyed felt that an income of $25,000 should be more than adequate to allow a family to support its own health insurance costs, though a significant minority (over 27%) would be willing to pay for the coverage of a worker with that income.

One important reason for small business owners' lack of enthusiasm for employee health insurance may be that they themselves often don't earn very much money. Many felt that they could earn more working somewhere other than in their own business. Indeed, over 41 percent felt that this was the case (13% strongly agreed), while only 40 percent disagreed (8% strongly). The balance of the respondents had no opinion.

Another question asked the total amount of cash taken out of the firm by the owner during the past year whether in the

TABLE 4.5: About how much did you take out (salary, draw, earnings, etc.) of the business last year? (var TAKEOT, question 29) n = 5368

Takeout	Percent of Business Respondents	Cumulative Percent
No Answer	5.0	5.0
Prefer not to answer	19.3	24.2
Under $10,000	9.6	33.9
$10,000–19,999	11.5	45.4
$20,000–29,999	16.1	61.4
$30,000–39,999	10.1	71.6
$40,000–49,999	8.7	80.3
$50,000–59,999	5.3	85.6
$60,000–69,999	3.4	89.1
$70,000 or more	10.9	100.0

form of salary, draw, earnings, etc. The answers give some credibility to the belief of many that they could earn more by working for someone else. Just over 24 percent of the sample either gave no answer or indicated that they preferred not to answer. However, the answers of those responding did not suggest that small businesses in America are, in general, the source of great income to their proprietors. Nearly 10 percent reported earnings of under $10,000 while another 11.5 percent said that they earned less than $20,000. Only 10.9 percent reported earnings of $70,000 or more. (See Table 4.5.)

Health Insurance as a Benefit to Attract Employees

It has long been part of the folklore that the amount and quality of employee benefits is an important variable in the search for good employees. While owners of small businesses tended to agree that "businesses can't attract first-rate employees without providing health insurance," that belief was by no means as pervasive as the general literature would lead one to believe. As shown in Table 4.6, just over 63 percent agreed with the statement and a surprisingly large 26 percent disagreed.

A follow up question sought to discover whether or not the employers had lost good or potentially good employees because of inadequate health benefits. Just over 10 percent of the respondents felt that this may have happened while over 72 percent denied that it had been a problem (Table 4.7).

Over 40 percent of the small employers in the survey did not know whether or not their major competitors provide employee health benefits. Of those who thought they knew, 31.8 percent indicated that the competitor does provide such coverage while 20.1 percent said that no such coverage was provided (Table 4.8). There is labor market pressure to

TABLE 4.6: Businesses can't attract first-rate employees without providing health insurance (var 18, question 10b) n = 5368

	Percent of Business Respondents
Strongly Agree	13.7
Agree	49.6
No Opinion	9.6
Disagree	22.6
Strongly Disagree	3.8
No Answer	0.7
Total	100.0

TABLE 4.7: My firm has lost good or potentially good employees because of inadequate health benefits (var 36, question 15-d) n = 5368

	Percent of Business Respondents
Strongly Agree	1.8
Agree	8.5
No Opinion	16.6
Disagree	55.4
Strongly Disagree	16.7
No Answer	1.1
Total	100.0

TABLE 4.8: Does your major competitor provide employee health insurance? (CompHip, question 15) n = 5368

Competitor Provides Health Insurance	Percent of Business Respondents
Yes	31.8
No	20.1
Don't Know	41.5
No Answer	6.5
Total	100.0

provide health benefits, but it does not appear to be a major factor.

Health and Choosing Employees

Rapidly rising costs of health insurance and the threat of government mandated benefits raised a question whether or not potential health insurance costs influence the selection

TABLE 4.9: Potential health insurance costs influence my selection of employees (var 22, question 10-f) n = 5368

	Percent of Business Respondents
Strongly Agree	5.6
Agree	25.7
No Opinion	22.6
Disagree	37.9
Strongly Disagree	6.2
No Answer	1.9
Total	100.0

of employees. The results are shown in Table 4.9. Just over 31 percent agreed that this was a factor, but only 5.6 percent strongly agreed. On the other hand, a total of 44.1 percent disagreed with 6.2 percent strongly disagreeing.

Unfortunately, the question was less precise than might have been desired. Different interpretations are possible. One possible interpretation would be that the specific health status of potential workers would be taken into consideration and they would not be hired if they presented known potential claims to an existing health plan. However, regardless of the interpretation, it seems clear that potential health insurance costs do not play a major role in the selection of employees in small businesses.

Chapter 5

Small Employers' Perceptions of The Health Benefit Needs and Wants Of Their Employees

Some employers have expressed the belief that many employees simply do not want or need health insurance benefits. If employers can easily find a sufficient work force which either does not need or does not want health insurance benefits, then there is no market force producing an incentive for them to offer them. Often this viewpoint has been supported by arguments that the workforce either prefers wages to health insurance benefits or that many employees are covered by other health insurance plans such as those provided by the employers of spouses. Small business owners were asked a number of questions to determine the extent of these and similar views.

When asked if they would like to provide employees with better health insurance benefits, over 64 percent of owners either agreed or strongly agreed that they would like to provide them (Table 5.1). Almost 19 percent, however, disagreed and nearly 3 percent strongly disagreed. Given that owners had nothing to lose by saying they might like to provide better benefits even though they may not feel able to do so for economic reasons, it is somewhat surprising that one-fifth clearly had little interest in improving this benefit. One possible reason is that those owners that do not want to improve health benefits already offer employees substantial coverage. Others may feel that it would not attract more employees. A third potential explanation is administrative

TABLE 5.1: I would like to provide better (some) employee health insurance (var 25, question 13-9) n = 5368

	Percent of Business Respondents
Strongly Agree	11.4
Agree	52.7
No Opinion	12.9
Disagree	18.8
Strongly Disagree	2.8
No Answer	1.3
Total	100.0

burden or "hassle." Almost fifty-three percent of the respondents agreed or strongly agreed with the statement that "administering an employee health insurance plan is (would be) a nightmare" (Table 5.2). Only 27.4 percent disagreed or strongly disagreed.

Wages Versus Insurance Benefits

Among survey respondents, the overwhelming majority believed that their employees prefer wage increases to increases in health insurance benefits (Table 5.3). Over 73 percent of owners felt this way (22.4% strongly agreed). Fewer than 15 percent disagree. As a consequence, when asked how they would choose to increase employee compensation, the majority said they would increase wages. If they wanted to increase compensation for full-time employees by $100 per month, almost 76 percent of respondents said they would provide it in wages; only about 11 percent cited an increase in health insurance benefits and about 8 percent said they would provide other benefits (Table 5.4). For part-time employees the response was even stronger with 80 percent of those owners that have part-time employees choosing to increase wages (Table 5.5).

TABLE 5.2: Administering an employee health insurance plan is (would be) a nightmare (var 24, question 10-h) n = 5368

	Percent of Business Respondents
Strongly Agree	17.3
Agree	35.3
No Opinion	17.2
Disagree	25.1
Strongly Disagree	2.3
No Answer	2.8
Total	100.0

TABLE 5.3: Employees prefer wage increases to increases in health insurance benefits (var 2, question 3-b) n = 5368

	Percent of Business Respondents
Strongly Agree	22.4
Agree	51.1
No Opinion	10.2
Disagree	12.8
Strongly Disagree	1.6
No Answer	1.7
Total	100.0

TABLE 5.4: If you wanted to increase compensation for your full-time employees by $100 per month, how would you do it? (var FT Comp, question 17) n = 5368

Method of Pay Increase	Percent of Business Respondents
Provide $100/mo in wages	75.9
Provide $100/mo in health insurance benefits	10.9
Provide $100/mo in benefits other than health insurance	8.1
No Answer	5.2
Total	100.0

TABLE 5.5: If you wanted to increase compensation for your part-time employees by $50 per month, how would you do it? (var PT Comp, question 17-a) n = 5368, n = 3214

Method of Pay Increase	Percent of Business Respondents	Percent with Part-Time Employees
Provide $50/mo in wages	48.2	80.5
Provide $50/mo in health insurance benefits	4.3	7.2
Provide $50/mo in benefits other than health insurance	3.4	5.8
No part-time employees	40.1	NA
No Answer	3.9	6.5
Total	100.0	100.0

Part-Time Versus Full-Time Employees

The majority of owners responding to the survey were of the opinion that part-time employees do not need the same benefits as full-time employees (Table 5.6) and disagreed that "employers *should* provide full-time and part-time employees the same benefits" (Table 5.7). Although not unanimous, the majority of small business owners viewed part-time employees as considerably different from full-time employees both in their needs and in the benefits that employers should provide them. Any public policies influencing health insurance coverage should be sensitive to this issue. Unless provided with an incentive to do otherwise, part-time employees are likely to be treated differently than are full-time employees. This is also related to the issue of whether part-time workers may have coverage elsewhere, as, for example, when the part-time job is a second job.

Older Employees and Those With Higher Wages

Poor health, and thus the need for medical care, is often associated with aging. Therefore, it is reasonable that two-thirds of small business owners had the perception that older employees are more interested in health benefits than

TABLE 5.6: Most part-time employees do not need the type of benefits full-time employees do (var 34, question 15b) n = 5368

	Percent of Business Respondents
Strongly Agree	10.1
Agree	43.5
No Opinion	17.7
Disagree	24.6
Strongly Disagree	3.3
No Answer	0.9
Total	100.0

TABLE 5.7: Employers should provide full-time and part-time employees the same benefits (var 19, question 10-c) n = 5368

	Percent of Business Respondents
Strongly Agree	2.4
Agree	7.3
No Opinion	5.8
Disagree	56.9
Strongly Disagree	26.8
No Answer	0.8
Total	100.0

TABLE 5.8: Older employees are more interested in health benefits than are younger employees (var 32, question 13-h) n = 5368

	Percent of Business Respondents
Strongly Agree	15.3
Agree	50.7
No Opinion	14.3
Disagree	15.9
Strongly Disagree	1.3
No Answer	2.6
Total	100.0

are younger ones (Table 5.8). The need for some health benefits is not associated with old age, however. Maternity benefits and coverage for pediatric care are needed by young families and not those employees nearing retirement

age. Perhaps this is why 17.2 percent of respondents either disagreed or strongly disagreed with the statement that older employees are more interested in health benefits. Health status and family circumstances in addition to age determine the need for health care benefits. However, most respondents perceived older employees to be more interested in health benefits than younger workers.

Some analysts believe that health insurance is frequently viewed as a luxury expense by individuals with low incomes, particularly if those individuals are healthy. The reason is because at lower income levels less discretionary money is available and all income must go to the immediate necessities of daily living. If given a choice between additional income to meet these expenses and better health insurance coverage, which may or may not be needed, low income families are more likely than higher income families to choose the pecuniary income. In general, respondents reported that they believe that higher paid employees show more interest in health benefits than do lower paid employees (Table 5.9). Over 53 percent of respondents either agreed or strongly agreed with this viewpoint while 27.7 percent disagreed. But, lower paid employees may also face poorer alternative job market prospects and may feel their employment status is less well protected than higher paid employees. Therefore, they may be less likely to feel they can express an interest in health benefits.

Dual Coverage

Many small business owners agreed with the statement that "health insurance premiums are often wasted because many employees are covered by policies of other family members" (Table 5.10). Even though insurance companies often go to extensive lengths to identify and adjust for "dual coverage" through the use of "Coordination of Benefits" provisions, employers that feel coverage is frequently a waste are certainly less likely to feel any compelling need to provide benefits to employees having alternative sources of

TABLE 5.9: Higher paid employees show more interest in health benefits than do lower paid employees (var 8, question 3h) n = 5368

	Percent of Business Respondents
Strongly Agree	11.5
Agree	42.0
No Opinion	16.2
Disagree	23.2
Strongly Disagree	4.5
No Answer	2.7
Total	100.0

TABLE 5.10: Health insurance premiums are often wasted because many employees are covered by policies of other family members (var 29, question 13-e) n = 5368

	Percent of Business Respondents
Strongly Agree	8.8
Agree	41.3
No Opinion	20.3
Disagree	26.4
Strongly Disagree	1.7
No Answer	1.5
Total	100.0

TABLE 5.11: Prospective employees show lots of interest in health insurance benefits (var 26, question 13-e) n = 5368

	Percent of Business Respondents
Strongly Agree	5.8
Agree	45.0
No Opinion	18.2
Disagree	26.8
Strongly Disagree	3.1
No Answer	1.0
Total	100.0

coverage. Approximately 50 percent of the respondents agreed or strongly agreed that premiums are often wasted in this way. Only 26.4 percent disagreed and a very small number (1.7%) strongly disagreed.

Current and Prospective Employees' Interest in Health Benefits

Survey results suggest that it is in the market for new employees rather than in retention of current employees that small business owners find the most vocal interest in health insurance benefits. This may simply suggest that prospective employees raise the question in the job interview, are satisfied, and never ask again. Nevertheless, many respondents do not perceive a strongly articulated concern from either prospective or existing employees.

When asked if they agreed that "prospective employees show lots of interest in health insurance benefits", only 5.8 percent of respondents strongly agreed though 45 percent agreed (Table 5.11). Nearly 30 percent either disagreed or strongly disagreed. Thus, while a majority have encountered some interest among prospective employees, there is substantial variation on this issue.

When asked whether, during the last year, one or more

TABLE 5.12: Within the last year, has one or more employees inquired about instituting a health insurance plan or increasing health insurance benefits under the present plan? (var INQHIP, question 18) n = 5368

Employee Inquiries Received in Last Year	Percent of Business Respondents
Yes, several inquiries	7.3
Yes, a few inquiries	14.2
Casual references, but no inquiries	18.5
No inquiries	57.5
No Answer	2.6
Total	100.0

employees inquired about instituting a health insurance plan or increasing health insurance benefits under the present plan, respondent replies indicated many do not feel pressure from current employees to change health insurance benefits (Table 5.12).

Over 57 percent of respondents reported no inquiries or even casual references to changing benefits. Another 18.5 percent reported casual references but no inquiries. Only 7 percent reported several inquiries. The data do not seem to portray a condition in which current employees are pressuring small business employers for changes in health insurance benefits.

An overall picture emerges when evaluating these results on current and prospective employee interest in health insurance benefits with the results that few owners felt they had lost good employees due to inadequate health benefits and the results that many did not know whether competitors even offered benefits. Current labor markets for many of the types of employees most commonly hired by small businesses are at equilibrium. Most owners feel they are under no real pressure to change their current health insurance benefits.

Would small employers respond if employees demon-

TABLE 5.13: If "yes," how did you deal with the inquiries? (var INQUIR, question 18a) n = 1164

Response	Percent of Business Respondents
Explained requests not currently possible	30.6
Generally satisfied requests	35.7
Still looking into them	24.7
No Answer	9.1
Total	100.0

strated an interest in health insurance? The evidence suggests that some probably would. The survey asked those who received an employee inquiry (inquiries) within the last year how they reacted to the employee request. Their answers are presented on Table 5.13. Thirty-six percent indicated that they had generally satisfied the employee request compared to thirty-one percent who indicated that they explained the request was not currently possible. Twenty-five percent stated that the matter was still under deliberation and nine percent did not answer. Though the question did not reveal the nature of the employee request for (or better) health insurance benefits including their costs nor the degree of employee satisfaction with the small employers' response, some small employers appear to respond positively when their employees express an interest in the benefit.

Chapter 6

Small Business Owners' Attitudes Toward the Role of Government And Mandated Benefits

One of the moment's "hot topics" which undoubtedly influenced employers' responses to this survey is the issue of mandated benefits. For all practical purposes, this concept originated in the mid-1970s when several states, typically in response to heavy lobbying by some special (single) interest group, began to pass legislation which required certain benefits to be provided by any employer offering his employees basic (usually) hospitalization insurance.

Some of the earliest laws mandated that specified mental health benefits, which had historically been either excluded altogether or drastically limited under private commercial insurance and Blue Cross contracts, must be included in any group contracts that offered basic coverage. This legislation, started as a trickle in the late 1960s, increased rapidly during the 1970s and became almost a flood by the early 1980s. By 1987, all 50 states had at least one mandated benefit and five states had over twenty. In total, over six hundred different coverage mandates now exist at the state level, ranging from mental health, prescription drug and maternity benefits to such exotic things as hairpieces and in-vitro fertilization.[16]

Some of the state mandates addressed the actual coverage of specific diseases or treatments while others mandated that the services of certain health professionals, e.g., chiropractors or licensed practical nurses, must be considered reimbursable. Not only did many insurers and employers consider this type of legislation intrusive, but employee groups also objected in some cases. The mandates increased the cost of coverage and not all groups felt that their members would benefit from some of the benefits required. The laws also varied in that some actually mandated *coverage* while others only mandated the *offer* of coverage. In the latter case, individual groups could still use their own judgment as to the specific benefits to be included in their plans. Furthermore, under a ERISA exemption for self-insured plans, many large firms avoided compliance.

The number of privately insured Americans rose steadily from the late 1930s until about 1980. Then a sharp reversal occurred. By the mid-1980s the number of uninsured in the country had increased alarmingly. Both federal and state

policymakers began to discuss possible solutions to the growing throng of under- and uninsured citizens, even as the costs of health care continued to soar and hospitals across the country began to sag under the weight of unreimbursed services. The introduction of a new prospective reimbursement system based on diagnostic related groups (DRGs) under the Medicare program further exacerbated the problem for hospitals. The fall-out included further cost-shifting by hospitals to private insurers. This, in turn, accelerated the rise in costs for private benefit plans.

Recently, the discussion of mandated benefits has taken on an entirely new dimension. Now there is talk of ***requiring employers*** to provide their employees with a prescribed package of insurance benefits, rather than requiring ***insurers*** to include certain benefits in the policies they offer for sale. Serious discussions about making this kind of mandate a federal requirement began in Congress several years ago. However, the debate really heated up during the 1988 presidential campaign. Governor Michael Dukakis of Massachusetts not only advocated such a plan for the nation, but was also successful in getting comprehensive legislation passed in his state which he proposed as a model.

Thus, the survey responses in this section should be of considerable interest to policy makers, particularly in light of the fact that many critics of the mandate plans have noted that the burden they would impose on small business firms could be excessive.

Government Intervention In Health Care

We have already seen that small businessmen and women strongly support the idea that all Americans are entitled to some basic level of health care services (Table 3.1). They also expressed a majority opinion that the individual should be primarily responsible for his/her own health insurance (Table 3.10). However, relatively few believed government should directly pay for health benefits. In the case of unemployed workers, only two in five small business persons felt that the government should pick up the cost of health insurance (Table 4.4). Even that number dropped sharply for all other categories of workers and their dependents.

Given their limited support for government involvement in paying for health services, it came as no surprise that a substantial number of small business owners felt that "government interferes in health care too much." Respondents were not asked to identify where or how this interference takes place. It is reasonable to infer that Medicare and Medicaid, as the two largest government health care programs, must have been major factors. As shown in Table 6.1, nearly 15 percent felt strongly that government interferes too much in health care, while another 29 percent agreed less strenuously. Just over 27 percent disagreed (3.6% strongly) with the statement. A surprisingly large 27 percent had no opinion. Yet, some might be surprised that so many had an opin-

TABLE 6.1: Government interferes in health care too much (var 31, question 13-g) n = 5368

	Percent of Business Respondents
Strongly Agree	14.8
Agree	29.1
No Opinion	27.0
Disagree	23.5
Strongly Disagree	3.6
No Answer	2.1
Total	100.0

ion, since many small business owners have no contact with these government programs.

Direct Government Role in Cost Containment

In what must be viewed as at least mildly contradictory, over 60 percent of those queried felt that "government must play a more direct role in health care to bring health costs under control." Nearly 37 percent agreed with this statement and 23.5 percent strongly agreed. Only 30 percent disagreed at any level (Table 6.2). It may be that owners of small businesses have in mind some very specific and fine line distinction between government involvement in health care, which they clearly indicated they do not want, and a government role in health care cost containment, which they apparently do support.

More likely, this apparent contradiction reflects the ambivalence that most Americans feel when confronting the complex issues relating to health care. The traditional American reluctance to support "big government" seems to run head-on into a growing frustration with a system that all too many see as being out of control. In grasping for solutions, they may not always think clearly, consistently or logically.

TABLE 6.2: Government must play a more direct role in health care to bring health costs under control (var 17, question 10a) n = 5368

	Percent of Business Respondents
Strongly Agree	23.5
Agree	36.7
No Opinion	8.0
Disagree	21.7
Strongly Disagree	8.7
No Answer	1.3
Total	100.0

Government Payment for Coverage for the Poor

When faced with specific examples, there was little support for government sponsored health care services for the unemployed, part-time employed or full-time employed with low wages. When asked directly whether "government should pay the health insurance premiums of those who can't afford to do so," the respondents remained consistent, if harsh, in their opinions. Only 5.6 percent felt strongly that this was an appropriate role for government; another 20 percent agreed with the statement. However, an absolute majority of over 54 percent disagreed with the statement (34.9% disagreed; 18.2% disagreed strongly) as shown in Table 6.3. This is, again, inconsistent with their strong majority position that "every American has a right to basic health care" (Table 3.1).

Taxes and Government Support of Health Care For the Poor

Perhaps the real reason that small business owners object to any increased role for the government in supporting health care for the poor is the fear of increased taxes. When asked directly whether or not taxes should be raised to increase access to health care for the poor, an overwhelming majority, 70 percent, disagreed, over 28 percent strongly. Only a total of 12.7 percent felt that this was an appropriate approach (Table 6.4).

This stand hardly fits the mold of President Bush's "kinder, gentler America" though it is consistent with his own aversion to any increase in taxes. But how are the poor to attain the entitlement to health care that the vast majority of all Americans as well as small business owners seem to feel they deserve? This response is consistent with the widespread small business view that government is bloated and that more can be directed to worthy purposes without increasing taxes if only government would cut where necessary.

Mandated Coverage Issues

In light of the above results, the fact that over 67 percent of the respondents either disagreed or disagreed strongly with the statement the "employers should be *required* (em-

TABLE 6.3: Government should pay the health insurance premiums of those who can't afford to do so (var 13, question 7-e) n = 5368

	Percent of Business Respondents
Strongly Agree	5.6
Agree	20.1
No Opinion	18.6
Disagree	34.9
Strongly Disagree	18.2
No Answer	2.5
Total	100.0

TABLE 6.4: Taxes should be raised to increase the poor's access to health care (var 6, question 3f) n = 5368

	Percent of Business Respondents
Strongly Agree	2.8
Agree	9.9
No Opinion	12.5
Disagree	42.0
Strongly Agree	28.1
No Answer	4.7
Total	100.0

TABLE 6.5: Employers should be required to provide a basic level of employee health insurance (var 33, question 15a) n = 5368

	Percent of Business Respondents
Strongly Agree	4.1
Agree	19.5
No Opinion	8.3
Disagree	44.9
Strongly Disagree	22.2
No Answer	1.0
Total	100.0

phasis added) to provide a basic level of employee health insurance" (Table 6.5) came as no surprise. This was consistent with the 64 percent who were earlier reported as disagreeing with the statement that employers have a *"responsibility"* to provide such coverage.

The importance of these strongly negative responses must be viewed in light of the almost "mirror image" response to the question of whether the employers *"would like"* to provide better health insurance benefits to employees (see Chapter 5) where over 64 percent answered positively. It appears that many small business owners simply do not believe that they have the capacity to handle the added costs associated with expanded health benefits. They may also see a difference between government mandates and individual activity.

Not many more small business owners think it appropriate for government to require individuals to purchase health benefits (30.2%, see Table 6.6) than think that employers should be required to do so (23.6%, see Table 6.5). The negative responses to these two questions show a much greater disparity, however. Only 45.5 percent either disagreed or disagreed strongly that individuals should be required to

TABLE 6.6: If an employer does not provide health insurance, employees should be required to buy their own coverage (var 21, question 10e) n = 5368

	Percent of Business Respondents
Strongly Agree	6.0
Agree	24.2
No Opinion	22.9
Disagree	35.7
Strongly Disagree	9.8
No Answer	1.4
Total	100.0

buy their coverage, while 67.1 percent felt that way about mandating coverage by employers. The disparity also shows up in the "no opinion" category, where only 8.3 percent had no opinion about a mandate for employers while 22.9 percent do not have an opinion about a mandate for individuals. One can infer from these results that there is a real sense of frustration in trying to decide how to pay for "desired" protection.

In the debate over the desirability of mandating benefits, some proponents have argued that unless every firm is required to provide them, businesses that do will actually be penalized. The reasoning is that uninsured patients often become "bad debts" for hospitals and the hospitals' response is to engage in more cost shifting to those patients who are fully insured. If this were true, it would be a good reason for those employers who now provide coverage to support mandation provided the mandate does not significantly exceed current coverage.

The small business owners in the survey were widely divided in their opinions as to whether or not this kind of cost shifting actually exists. As shown in Table 6.7, about 29

TABLE 6.7: Employers with employee health insurance pay for employers without it (var 7, question 3-g) n = 5368

	Percent of Business Respondents
Strongly Agree	6.9
Agree	22.3
No Opinion	25.0
Disagree	25.3
Strongly Disagree	15.5
No Answer	5.1
Total	100.0

percent agree that this type of cost shifting is taking place, while nearly 41 percent disagreed; 25 percent had no opinion on the matter. One suspects that a similar poll taken among large corporations, especially those with strong unions and extensive benefits, would produce far different results.

Chapter 7

Sponsorship of Health Insurance Benefits for Employees

According to a recent report by the General Accounting Office, at least two-thirds of the under 65 uninsured Americans are working adults and their uninsured dependents.[17] Previous studies have confirmed that small businesses with fewer than 100 employees are among those firms least likely to offer health insurance benefits to their employees. (See Background, Chapter 1.) This survey was designed to help answer questions concerning the characteristics of small businesses that do and do not sponsor employee health insurance and their reasons for offering or not offering a plan. While the material presented here is descriptive, the results provide possible explanations for small business behavior regarding health insurance sponsorship.

Differences Between Firms Which Do and Do Not Sponsor Employee Health Insurance

Just over one-third of survey respondents indicated that their business did not sponsor health insurance for any of its employees. Of those owners that offered employee health insurance (the remaining two-thirds approximately) nearly 60 percent sponsored a plan for all employees while the remaining 40 percent only offered it to some of their employees (Table 7.1).

Number of Employees

The greater the number of employees the owner reported, the more likely the firm was to offer all of its employees a health insurance plan (Table 7.2). Only 21 percent of firms with fewer than 5 employees sponsored a plan for all em-

TABLE 7.1: Do you sponsor a health insurance plan for your employees? (var HIPLAN, question 19) n = 5368

Sponsor Health Insurance Plan	Percent of Business Respondents
All Employees	37.6
Some Employees	25.5
No	33.8
No Answer	3.2
Total	100.0

TABLE 7.2: Do you sponsor a health insurance plan for your employees? (var HIPLAN, question 19)

Sponsor Health Insurance Plan	Percent of Business Respondents According to Total Number of Employees (Full and Part-Time)				
	<5	5–9	10–19	20–50	50+
All Employees	21.2	36.8	47.9	59.5	63.4
Some Employees	17.4	31.0	31.6	27.7	28.7
No	57.5	29.1	17.7	10.2	5.0
No Answer	4.0	3.0	2.8	2.6	3.0
Total	100.0	100.0	100.0	100.0	100.0

ployees whereas 63 percent of firms with 50 or more employees offered a plan for all of theirs. A large proportion of those firms that did not sponsor any employee health insurance plan (86.6%) had fewer than 10 employees. The lack of employment related health insurance was primarily among the smallest of firms, but not entirely so. Twenty respondents that had 50 or more employees did not sponsor a plan.

Geographic Location of the Firm

Previous research by the Employee Benefit Research Institute (EBRI) suggests that firms in the southern and western regions of the country are least likely to sponsor insurance for their workers.[18] This coverage differential has been attributed to variations in the degree of industrialization and unionization across regions. While our survey data do not come from a randomized sample of all small businesses across the country, the sample population has a sizable representation from all regions (see Chapter 2 on Study Methodology). As can be seen in Table 7.3, the percentage of small business respondents that sponsor health insurance for employees did vary across regions, but not to the extent anticipated. Moreover, the variation that did occur does not seem to follow the pattern suggested by other research.

Respondents in the South, particularly the South-Atlantic, and the Pacific-West, were as likely to report sponsoring employee health insurance as were those in most other regions. Owners in the West-Central regions and the Mountain region were least likely to report sponsoring plans. Because these areas are heavily rural, the discrepancy may be largely attributed to an urban-rural differential. Data shown in Table 7.4 support this view. Nearly 46 percent of businesses in rural areas reported not sponsoring health insurance. The comparative figure for urban area firms was 28 percent. These figures may be biased due to NFIB membership differences across regions and the resulting nonrandom nature of the sample, but there is clearly an urban-rural difference in

TABLE 7.3: Do you sponsor a health insurance plan for your employees? (var HIPLAN, question 19)

Geographic Region	Percent of Business Respondents According to Sponsorship of Employee Health Insurance Plan: All Employees	Some Employees	None
New England	38.4	28.1	29.9
Mid Atlantic	35.2	30.7	30.2
East No Central	37.5	27.5	31.8
West No Central	32.8	23.0	40.3
South Atlantic	41.7	25.5	29.8
East So Central	38.6	22.4	34.9
West So Central	34.1	18.5	44.3
Mountain	32.7	22.8	41.3
Pacific	37.6	22.6	36.8

TABLE 7.4: Do you sponsor a health insurance plan for your employees? (HIPLAN, question 19)

Sponsor Health Insurance Plan	Percent of Business Respondents According to Business Location: Rural	Suburb	City
All Employees	27.9	38.2	48.9
Some Employees	23.3	26.1	23.5
No	45.7	32.9	24.5
No Answer	3.1	2.8	2.9
Total	100.0	100.0	100.0

business sponsorship of health insurance.

Businesses in more isolated markets may have more power in the labor market and be insulated from either competitive pressure or from any differential advantage that sponsoring such benefits might give them in attracting better or more highly skilled employees.

Age of the Business

Older firms have passed the test of time and are likely to have established market positions. Thus, as other studies have suggested, it was anticipated that the older the firm the more likely it is to provide employees with a health insurance benefit. The data presented in Table 7.5 confirm these expectations. However, the age of the firm must reach something greater than five years before the likelihood of providing health insurance benefits improves substantially. This is, again, supporting evidence that, on average, small firms either are not facing tight labor markets for the type of em-

ployees they employ or that health insurance benefits are not perceived as a cost efficient means for attracting good employees.

Part-Time Versus Full-Time Employees

Owners and operators of small businesses generally viewed part-time employees as distinctly different from full-time employees. (See Chapter 5.) Therefore, it was expected that the proportion of part-time employees to full-time employees would be related to the extent of plan sponsorship. The data in Table 7.6 confirm that this is indeed the case. Firms with 25 percent or fewer part-time employees are much more likely to sponsor a health insurance plan for all employees. On the other hand, over 45 percent of firms where part-time workers constitute the majority of the work force do not sponsor this benefit to any employees.

Full-Time Employees that are Heads of Households

The questionnaire asked small business owners and operators what percentage of their full-time employees are "heads of a household," describing that concept as the

TABLE 7.5: Do you sponsor a health insurance plan for your employees? (var HIPLAN, question 19)

Sponsor Health Insurance Plan	Percent of Business Respondents According to Number of Years in Business			
	0–1	2–5	6–10	11+
All Employees	28.8	26.5	33.5	41.3
Some Employees	18.0	21.7	25.5	25.8
No	46.4	49.6	38.2	29.3
No Answer	6.9	2.2	2.8	3.6
Total	100.0	100.0	100.0	100.0

TABLE 7.6: Do you sponsor a health insurance plan for your employees? (HIPLAN, question 19)

Sponsor Health Insurance Plan	Percent of Business Respondents According to Percent of Part-Time Employees				
	0	1–25	26–50	51–75	76–100
All Employees	50.2	55.6	26.4	14.7	11.2
Some Employees	16.0	27.4	35.4	35.2	38.2
No	31.0	13.9	34.8	46.1	45.8
No Answer	2.1	1.6	2.3	2.6	3.6
Total	100.0	100.0	100.0	100.0	100.0

"family's primary bread winner." Respondents reporting that 25 percent or fewer of their employees were heads of household were much less likely to sponsor a health plan for employees (Table 7.7). Less than 13 percent of the 701 respondents who reported that none of their employees were heads of a household, offered health insurance to all employees and over 71 percent reported not sponsoring any health insurance plan whatsoever. Clearly, fewer benefits are provided secondary wage earners. This could be a market demand phenomenon, i.e., secondary workers may be less interested in benefits than in wages. It could also be that small business owners, knowing that they cannot afford the insurance, consciously seek workers who do not demand it.

Labor Market Conditions

The ability of a firm to attract and keep employees is partly determined by the wages and benefits it has to offer. It competes for the best employees with other potential employers in the market. Therefore, we expected to find that firms which sponsor health benefits do so, at least in part, to attract and keep good employees. The data support this expectation. Yet, many small business owners and operators reported that they do not need to provide health insurance to attract "first-rate" employees. In addition, the majority of firms that do not sponsor this benefit for any of their employees did not believe their major competitors do so either. Two major correlates of sponsoring a health benefit plan are: 1) the belief that you need it to attract first-rate employees (Table 7.8), and 2) the perception that the firm's major competition provides it's employees with health insurance (Table 7.9).

Type of Industry, Employee Turnover, And Health Insurance

The sponsorship of a health insurance plan for employees has long been known to vary with the type of industry. Firms in the agricultural, service and retail trade industries

TABLE 7.7: Do you sponsor a health insurance plan for your employees? (var HIPLAN, question 19)

Sponsor Health Insurance Plan	Percent of Business Respondents According to Percent of Full-Time Employees That Are Heads of Household				
	0	1–25	26–50	51–75	76–100
All Employees	12.8	21.3	37.0	47.8	47.0
Some Employees	12.4	32.7	31.2	27.6	23.9
No	71.2	41.4	28.9	21.9	26.3
No Answer	3.0	3.1	1.7	1.8	1.7
Total	100.0	100.0	100.0	100.0	100.0

TABLE 7.8: Businesses can't attract first-rate employees without providing health insurance (var 18, 10-b) n = 5368

	Percent of Business Respondents According to Sponsorship of Employee Health Insurance Plan		
	All Employees	Some Employees	None
Strongly Agree	47.4	26.8	21.8
Agree	45.4	25.5	26.1
No Opinion	22.5	23.8	50.6
Disagree	20.1	23.9	52.6
Strongly Disagree	13.3	15.6	66.4
No Answer	26.7	8.9	48.9

TABLE 7.9: Does your major competitor(s) provide employee health insurance? (var COMPHIP, question 15)

	Percent of Business Respondents According to Sponsorship of Employee Health Insurance Plan		
Competitor Provides Insurance Plan	All Employees	Some Employees	None
Yes	56.6	26.8	14.7
No	17.1	19.7	57.9
Don't Know	32.2	26.0	39.7
No Answer	53.2	41.1	70.0

are less likely to sponsor employee health insurance than are manufacturing firms. These relationships hold for the small businesses represented in this survey (Table 7.10). Those businesses in the wholesale industry, including manufacturer's representatives and distributors, are even more likely to provide employee health insurance than are manufacturing businesses. On the other hand, over 37 percent of the professional service businesses represented in this survey (including physicians, attorneys, engineers, CPAs, and skilled nursing homes) do not sponsor any health insurance for their employees.

It has also been hypothesized that business owners do not sponsor employee health insurance when they expect high turnover among their personnel. The questionnaire asked respondents to characterize what best described their employee turnover. These responses were cross-tabulated with whether the business sponsored a health insurance plan. The results are presented in Table 7.11. In general, those owners which indicated they had high turnover also were

TABLE 7.10: What is your major type of business activity (var IND, question 2)

Industry	Percent of Business Respondents According to Provision of Employee Health Insurance Plan: All Employees	Some Employees	None	N
Agriculture	19.2	28.7	47.9	349
Retail	21.1	29.0	46.1	1391
Service	29.2	21.7	45.6	905
Professional	36.9	22.3	37.1	385
Construction	39.8	25.2	33.3	806
Transportation	45.5	21.2	29.6	189
Finance	49.3	18.3	28.6	377
Manufacturing	56.3	22.9	18.6	764
Wholesale	58.5	26.6	11.6	414

TABLE 7.11: Which best describes your employee turnover? (var TURNOVR, question 4) n = 5368

Employee Turnover	Percent of Business Respondents According to Sponsorship of Employee Health Insurance Plan: All Employees	Some Employees	None	No Answer	Total
High Turnover	13.7	22.0	60.4	3.9	100.0
High Turnover With a Stable Core	28.8	36.2	32.0	3.0	100.0
Moderate Turnover	38.3	26.0	31.5	4.2	100.0
Low Turnover	40.7	19.5	36.8	3.0	100.0

those least likely to sponsor any health insurance. At more moderate levels of reported turnover this relationship is not nearly so strong. However, those respondents reporting low turnover were more likely than any other group to sponsor health insurance for all their employees. It is unclear whether high employee turnover is a cause for firms not sponsoring health insurance or whether not having health insurance causes high turnover.

Size of Firm as Measured by Gross Sales Receipts

The financial strength of a firm is an important consideration when making all business decisions including whether or not to provide health insurance to employees. The reported gross sales receipts of surveyed firms, while not a direct measure of either financial strength or size, does provide some indication of a firm's importance in the economy.

TABLE 7.12: During the last calendar or fiscal year, what were your gross sales or receipts? (var SALES, question 8) n = 5368

Gross Receipts	Percent of Business Respondents According to Sponsorship of Employee Health Insurance Plan: All Employees	Some Employees	None	N
Under $100,000	11.7	10.4	73.1	673
$100,000–199,000	18.6	12.3	58.6	911
$200,000–349,000	26.6	30.7	42.8	894
$350,000–749,999	37.4	23.7	31.1	1016
$750,000–1,499,999	47.8	30.8	18.1	813
$1,500,000–2,999,999	59.0	32.4	7.0	546
$3,000,000 and Over	70.6	23.4	5.0	591

It was expected that firms with larger gross sales receipts would be more likely to sponsor employee health insurance than would firms with smaller annual sales. Table 7.12 dramatically confirmed these expectations.

Financial Assets Withdrawn from the Business

The financial capacity of the business to sponsor health insurance benefits for employees is often cited as a reason for the variation in sponsorship among small businesses. It is difficult to acquire reliable financial information and also generate an adequate response rate using a mail survey. In an attempt to obtain information on this important topic, however, the owners were asked to reveal the amount they took out of the business in the last 12 months in various forms such as salary, draw, or earnings. Nearly one-quarter (24.7%) of all respondents did not answer this question. However, non-respondents were fairly evenly distributed across insurance sponsorship categories. Among those owners who did answer, the larger the reported takeout of the owner, the more likely the firm was to sponsor a health insurance plan for all employees (Table 7.13). About 22 percent of owners reported a takeout during the previous year of under $20,000. Among this group, 61 percent did not sponsor a health insurance plan of any type. Among those owners that reported an annual takeout of $70,000 or more, only about nine percent provided no health insurance for their employees.

The Businesses That *Do* Sponsor Employee Health Insurance Plans

In an effort to identify some of the features and costs of the health insurance plans that small businesses do offer, the respondents who reported sponsoring a plan for at least some of their employees were asked about the plan. The cost of employee health insurance to the employer (excludes employee share) as a percentage of the wage bill cov-

TABLE 7.13: How much did you take out (salary, draw, earnings, etc.) of the business last year? (var TAKEOT, question 29) n = 5368

	Percent of Business Respondents According to Provision of Employee Health Insurance Plan					
Take Out	All Employers	Some Employers	None	No Answer	Total	N
Prefer Not to Answer	56.1	22.5	37.4	4.0	100.0	1381
Under $10,000	16.2	14.5	64.3	4.1	100.0	585
$10,000–19,999	17.8	21.4	58.4	1.4	100.0	641
$20,000–29,999	31.4	26.8	38.1	2.1	100.0	876
$30,000–39,000	39.4	30.3	28.0	1.4	100.0	554
$40,000–49,999	43.7	30.9	25.1	1.3	100.0	476
$50,000–59,999	48.4	33.8	15.0	1.4	100.0	287
$60,000–69,999	58.9	25.4	11.9	3.2	100.0	185
$70,000 or more	63.5	25.0	8.9	1.2	100.0	587

TABLE 7.14: Estimate your cost of employee health insurance as a percent of total wages/salaries paid. (Do not include any employee contribution.) (var HICOST, question 19a) n = 3385

Percent of Payroll	Percent of Business Respondents
1–2%	8.1
3–4%	13.3
5–6%	18.7
7–8%	17.8
9–10%	18.3
>10%	17.9
No Answer	5.9
Total	100.0

ers a broad range (Table 7.14). Eight percent of respondents indicated that the health insurance cost as a percentage of wages was between one and two percent. However, nearly 18 percent of respondents believed this figure to be greater than 10 percent. Several factors could explain this variation. One explanation is wage structure. Some firms in all wage categories (high, moderate, low) offer this benefit and the cost of health insurance is more-or-less "flat" on a per capita basis (unrelated to wages). Alternatively, it could mean that the health insurance plans sponsored are very diverse in coverage and in the number of employees actually covered. In addition, some data indicate that small businesses are more likely to pay either 100 percent or less than 25 percent of the premium cost than are larger firms. The employer's share would make a substantial difference in employer cost as a percentage of payroll. Data presented in Table 7.15 show

TABLE 7.15: Estimate your cost of employee health insurance as a percentage of total wages/salaries paid (not including employee contribution) (var HICOST, question 19a)

Percent of Payroll	Percent of Business Respondents According to Size of Firm (# employees)				
	<1–4	5–9	10–19	20–49	50+
1–2%	8.9	8.9	8.7	6.5	5.4
3–4%	13.7	13.0	14.8	10.5	14.5
5–6%	19.2	18.0	17.3	20.1	19.6
7–8%	16.3	16.6	17.9	21.4	18.0
9–10%	16.8	19.5	18.1	18.9	18.8
>10%	19.1	17.5	17.6	17.7	17.2
No Answer	6.0	6.4	5.7	5.0	6.5
Total	100.0	100.0	100.0	100.0	100.0

TABLE 7.16: If you sponsor a health insurance plan for your employees, are part-time employees usually (perhaps after a waiting period) eligible to participate in the plan? (var HIPTEMP, question 19b) n = 3385

Part-Time Eligible	Percent of Business Respondents	Percent with Part-Time Employees
Yes	16.0	29.6
No	36.1	66.9
No Part-Time Employees	46.0	NA
No Answer	1.9	3.5
Total	100.0	100.0

that this variation in the health insurance cost as a percent of the wage bill persists across all sizes of small business firms.

Coverage of Part-Time Employees

This report presents consistent evidence that small businesses view the part-time and full-time labor markets as being separate and distinct. Of those respondents that offered health insurance benefits, 46 percent had no part-time employees (Table 7.16). Those firms with both a health plan and part-time employees report by a greater than two to one ratio that part-time employees are not eligible to participate in the health plan. Employers that do not sponsor a plan for part-time employees were asked why this was the case. The most frequent responses (Table 7.17) were part-timers prefer wages to benefits (49.7%), it's too expensive to cover everyone (48.4%), and part-time employees have higher

TABLE 7.17: If your company's policy is to provide health insurance only to full-time employees, why was this policy instituted? (var HIPTEMP, question 19bl) n = 1222

Reason	Percent of Business Respondents Reporting Reason Applies
Insurance more expensive per hour of work for part-timers	29.1
Part-timers more often want wages than benefits	49.7
Higher turnover among part-timers	45.3
Administrative costs/hassle increase enormously	22.1
Part-timers easier to replace	17.3
Can't find insurance proportionate to the hours they work	24.5
Need compensation differences between full and part timers	25.1
Can't afford to cover everyone; the first concern has to be my full-time employees	48.4

TABLE 7.18: Are dependents of covered employees eligible? (var DEPEND, question 19c) n = 3385

Dependents Eligible	Percent of Business Respondents
Yes	83.0
No	13.1
No Answer	4.0
Total	100.0

turnover (45.3%). Other responses were less popular. The least popular response was that part-time employees are easier to replace. These answers are consistent with the view that many small business owners do not think of employee health insurance as a positive means of attracting and keeping workers.

Dependents, Exclusions, and Coverage Of the Respondent's Family

The majority of employee health insurance plans that are sponsored by small businesses included coverage for employee dependents (Table 7.18). When asked "are dependents of covered employees eligible?," 83 percent said "yes" and only 13 percent said "no." Responses did not vary greatly with the number of employees in the firm (Table 7.19).

Survey participants were also asked whether they had any employees excluded due to a preexisting health condition or older age. Eighty-one percent said "no," none of their employees were excluded for that reason (Table 7.20). The percentage response did not vary substantially for different sized firms (Table 7.21). However, this does not indicate

TABLE 7.19: Are dependents of covered employees eligible? (var DEPEND, question 19c) n = 3385

Dependents Eligible	Percent of Business Respondents According to Number of Employees				
	<5	5–9	10–19	20–50	50+
Yes	76.3	82.2	86.6	87.5	88.4
No	19.3	13.5	10.3	9.1	7.5
No Answer	4.4	4.3	3.1	3.4	4.0
Total	100.0	100.0	100.0	100.0	100.0

TABLE 7.20: Are there employees excluded due to preexisting health conditions or older age? (var EXCLUDE, question 19d) n = 3385

Excluded Pre-Existing Conditions or Old-Age	Percent of Business Respondents
Yes	15.5
No	81.0
No Answer	3.4
Total	100.0

TABLE 7.21: Are there employees excluded due to preexisting health conditions? (var EXCLUDE, question 19d)

Excluded-Pre-Existing Conditions or Old Age	Percent of Business Respondents According to Number of Employees				
	<5	5–9	10–19	20–50	50+
Yes	13.0	16.6	15.1	15.1	20.7
No	82.4	79.3	82.7	82.3	76.1
No Answer	4.5	4.1	2.2	2.5	3.3
Total	100.0	100.0	100.0	100.0	100.0

whether such clauses exist in the health insurance master contract.

One reason small business owners and operators may have for sponsoring an employee health plan is to retain group coverage for their own household. Nearly 74 percent of respondents that sponsor a plan indicated their family is covered under the same health plan offered employees. Another 12.3 percent reported their family is covered under the employee health plan, but they also have at least one additional health insurance policy as supplemental insurance

TABLE 7.22: Are you/your family covered under the same plan as the employees? (var FAMCOV, question 19e) n = 3385

Family Covered Under Employee Plan	Percent of Business Respondents
Yes and Supplemental Plan	12.3
Yes	73.9
No	10.9
No Answer	2.9
Total	100.0

(Table 7.22). Slightly less than 11 percent of respondents reported their family not covered by the sponsored employee health plan.

Reasons for Sponsoring an Employee Health Plan

Surveyed employers with a sponsored health plan were asked to identify the reasons for their sponsorship. The results are presented in Table 7.23. The most popular reason provided, cited by 59 percent of respondents, was that the "employees needed it." Next most popular were, "boost employee morale" and "good way to cover me/my family." Substantially less common reasons were "couldn't get/keep good employees without it" (31%) and "employees asked for it" (25%). Possible responses, "cheaper than a wage increase" and "union negotiated," were infrequently noted as reasons for sponsorship. The pattern of these answers seems to indicate a paternalistic attitude on the part of many employers that results in granting needed employee benefits rather than a situation where pressure from employees and the labor market forces these small businesses to provide health plans.

TABLE 7.23: Why did you institute an employee health insurance plan? (Mark all that apply) (var HIP, question 20)

Reason to Sponsor Plan	Percent of Business Respondents that Sponsor a Health Insurance Plan
Employees asked for it	25.2
Couldn't get/keep good employees without it	30.9
Employees needed it	59.4
Union negotiated	4.5
A tragic event	1.1
Good way to cover me/my family	43.5
Boost employee morale	44.9
Cheaper than a wage increase	7.7
Plan in place before I took over	11.2
Other	4.6

The Businesses that *Do Not* Sponsor an Employee Health Plan

Almost 34 percent of the small businesses (or 1815 actual businesses) that completed and returned the questionnaire reported that they do not sponsor a health insurance plan for any of their employees. This group was asked to indicate all of the reasons why they do not sponsor one. Responses to this question are given in Table 7.24. By a wide margin the most frequent response was that "premiums are too high." Over 65 percent cited this reason. Similar economic reasons were also popular, "business not profitable enough" (44%) and "unstable profits" (39%).

Consistent with the pattern of answers to previous questions, a surprising number of responses indicated that many respondents believe "employees generally are covered under a spouse or parent's policy" (43%) and that "employees prefer cash/lack of employee interest" (34%). In addition, 22 percent indicated that they believe they do not need insurance to attract good employees. Thus, the high cost of health insurance and perceived low profit margins were the reasons most frequently cited for not sponsoring a plan. But, the lack of any strong pressure from the labor market was also apparent. High employee turnover and high administrative expenses of insurance were less frequently cited reasons with slightly over 16 percent of these respondents providing each as a reason.

Historically, one reason given by small business owners for not offering employee health insurance is that they do not believe they qualify for group policies at group rates. Among survey respondents without a health plan, 22 percent cited an inability to qualify for a group plan as a reason. Most of those providing this response were among the smallest of small businesses. Seventy-eight percent had fewer than five employees and 93 percent had under ten. These respondents were then asked why they did not qualify for a group plan. Responses are shown in Table 7.25.

TABLE 7.24: If you do not have an employee health insurance plan, why don't you have one? (var NOHIP, question 23) n = 1815

Reason Not to Sponsor Plan	Percent of Business Respondents Not Sponsoring Health Insurance Plan
Premiums too high	65.3
Employee turnover too great	16.4
Employees generally covered under a spouse or parent's policy	42.8
Administrative expenses too high	16.5
Employees prefer cash/lack of employee interest	34.1
Business insufficiently profitable	44.0
Profits too unstable from year to year to commit to such a fixed cost	39.1
Don't need insurance to attract good employees	22.5
Can't qualify for a group policy at group rates	22.2
Other	6.8

TABLE 7.25: If you can't qualify for a group policy, what is the reason? (var GRPOLICY, question 23a) n = 403

Reason Cannot Qualify	Percent of Business Respondents
Too new in business	5.2
Type of business or industry that I'm in	12.7
Age of employees I have	4.0
Health condition of employees I have	8.2
Don't know	7.2
Other	54.6
Total	100.0

Few indicated constraining reasons other than size; 13 percent said type of business was a barrier; 8 percent blamed the health condition of their employees; 5 percent said they were too new a business; and 4 percent mentioned the age of their employees. The majority of responses fell in the "other" category. These write-ins were characterized by comments such as "too small" and "not enough employees." It is hard to verify whether these employers made substantial efforts to shop for a group health plan or whether this was merely a perception of employers that have little motivation to sponsor a policy. In the 1985 NFIB Small Business Employee Benefits report over 50% of the small business owners surveyed spent eight hours or less in the previous year investigating health care options.[9]. The same study indicated that their main sources of information (about 60%) were insurance agents and brokers. Unfortunately, the data do not provide us with a clear perspective regarding small businesses' ability, or lack of ability, to qualify for group policies.

Multi-Variate Analysis

Multi-variate statistical analyses were conducted to determine the independent relationship between selected survey responses regarding the type of industry, business market characteristics, and owner/operator perspectives, and whether the small business sponsored a health insurance plan for its employees. The results present the statistical relationship between each independent variable and the dependent variable after controlling for the effects of all other independent variables. The dependent variable to be explained is whether the respondent reported that the firm sponsored health insurance for any of its employees ("yes" was coded zero and "no" was coded one). Although the regression technique used (ordinary least squares) is not normally recommended when the dependent variable is dichotomous, as is the case here, numerous statisticians have confirmed its near equivalence to the more sophisticated approaches such as logistic regression under condi-

tions that are met in this analysis.[20]

The results of the regression analysis (Table 7.26) confirm many of the findings presented above. The older the business and the larger the percentage of workers that are full-time employees as opposed to part-time employees, the more likely the firm is to sponsor an employee health insurance plan. The results also confirm that owners reporting larger annual gross sales and that have a larger percentage of full-time employees who are heads-of-household are also more likely to sponsor health insurance plans. In addition, manufacturing firms and wholesale businesses are more likely while retail trade, service and agricultural businesses are less likely to sponsor plans than are businesses in other industries. Each of these findings is statistically significant.

Reported employee turnover and the total number of full-time equivalent employees are not significantly associated with health insurance sponsorship once the effect of other variables is taken into account.

TABLE 7.26: Regression Analysis Dependent Variable: Business Sponsors Any Health Insurance

(0 = Yes, 1 = No)
N = 5,200; Adjusted R-square: .533

Independent Variables		
A. Type of Business Variables	Beta	t
1. Age of Business	−.048	4.1***
2. Employee Turnover (1 = high, 4 = low)	.003	0.2
3. Percent of Employees Part Time	.118	9.1***
4. Total Full Time Equivalent Employees	−.016	1.3
5. Percent of Time Employees who are "Heads of Households"	−.112	8.7***
6. Gross Sales Receipts	−.281	21.1***
7. Manufacturing or Wholesale Business (1 = Yes, 0 = No)	−.040	3.1***
8. Retail Trade or Service Business	.027	2.1*
B. Business Market Characteristics	Beta	t
1. Urban	−.010	0.9
2. Rural (suburban omitted)	.490	4.1***
3. Competitor Provides Coverage (1 = Yes, 2 = no)	.045	3.8***
4. Prospective Emps Interest in Health Ins.	.032	2.5**
5. Cost Can Be Passed on to Customers	.002	0.2
C. Owner/Operator Perspectives (1 = agree, 5 = disagree)	Beta	t
1. Would like to provide better health ins.	−.027	2.1*
2. Americans should receive a minimum level of health care regardless of ability to pay	−.074	6.2***
3. Health Insurance should be a reward, not granted to everyone.	−.007	0.6
4. Employers have a responsibility to provide health insurance.	.044	3.5***
5. Can't attract first rate employees without health insurance	.119	9.0***
6. Health ins. should be one of the first employee benefits provided.	.158	11.9***

***< .001
**< .02
*< .05

Several market characteristic variables were found to be significantly associated with health insurance sponsorship. If the firm is in a rural location and/or if the firm's major competitor is reported not to provide employee health insurance, the owner is less likely to have reported that the firm sponsored an employee health insurance plan. Also, a statistically significant association was found between the report that prospective employees had a strong interest in health insurance coverage and providing for such coverage. Neither having an urban location (vis-a-vis a suburban location) nor responses to whether costs could be passed on to customers were found to be significantly associated with health insurance sponsorship.

Small business owners' attitudes and perspectives on several issues were significantly associated with whether the firm sponsored a plan even after other business and market characteristics were statistically held constant. Respondents that agreed with the following statements were more likely to provide insurance than those that disagreed:

1) Businesses can't attract first-rate employees without providing health insurance,
2) Employers have a responsibility to provide employee health insurance, and
3) Health insurance should be one of the first employee benefits provided.

The perspective that health insurance should be a reward for loyal service and not granted everyone was not significantly associated with sponsorship in this analysis.

An unexpected and puzzling finding was that agreement with the statement, "Americans should receive a minimum level of health care regardless of their ability to pay," was correlated with *not* sponsoring an employee health insurance plan. Once other explanatory variables are held constant, small business owners that do not sponsor an employee health insurance plan apparently feel stronger, on average, than others that an inability to pay for health care should not limit access to a minimum level of services. One possible explanation is that these employers do not think it is their own responsibility to provide health insurance, but feel strongly that it is the responsibility of other groups (e.g. government, the health care industry) in society to guarantee access to some minimum level. They may have stronger feelings on this issue because they are more often exposed to the difficulties associated with not having financial access to health services since their employees, and possibly their own families, do not have an employer sponsored health insurance plan.

Small business owners that did not sponsor any employee health insurance were somewhat more likely than respondents providing at least some coverage to strongly agree with the following: "I would like to provide better (some)

employee health insurance."

The results of the regression analysis confirm much of that identified using tabular analysis. Many of the characteristics of the particular business, their employees, and the markets the business operates in play an important role in determining whether a small business sponsors an employee health insurance plan. Especially important are the age of the business and the monetary value of its annual gross sales. Also very important is the type of employees the firm employs. When more employees are full-time and/or heads-of-household the firm is more likely to sponsor insurance. A business that is located in a rural area and competes with firms that also do not provide health insurance is associated with the reduced likelihood that a small business will sponsor an employee health plan. Finally, the attitudes of the small business operators are associated with whether or not they sponsor health insurance. Perhaps the most interesting of these attitudinal relationships is that small businessmen and women whose firms do not sponsor employee health insurance plans felt even stronger than respondents offering a plan that Americans should receive a minimum level of health care regardless of their ability to pay.

Chapter 8

What Could Change Current Coverage Policy for Employers?

One of the factors that could have a significant impact on the attitude of small business employers toward providing health insurance benefits for their employees is the cost of such benefits. Indeed, when queried on the subject, the 3,385 employers who offered some health benefits did reflect considerable price sensitivity. The results are shown in Table 8.1.

Table 8.1 suggests that of the 3,385 respondents who reported that they currently have a health insurance plan for their employees, less than half would keep their current plan if costs rose by 15 percent in the next year. Barely more than one-fifth would keep their current plan if costs soared by 30 percent. Since annual cost increases of these magnitudes have been quite common in recent years, there is reason to believe that the number of uninsured employees could well increase sharply in the immediate future. Slightly over half of the employers would increase deductibles and/or raise the employees' premium contributions if costs rose sharply, and it would make little difference if the costs rose by 15 or 30 percent.

Survey results suggest that employers would be almost twice as likely to keep their current plan as to reduce plan benefits if the cost increase were 15 percent. However, in

TABLE 8.1: How employers would respond to increased health plan costs of 15% and 30% in the next year (var COST151-6 and COST301-6) n = 3385

	Premium Increases	
Response	15 Percent	30 Percent
Keep Current Plan	43.6	21.9
Raise Deductible, Employee Premium Contribution, etc.	52.6	54.9
Lower Plan Benefits	23.5	30.1
End Dependent Coverage*	5.2 [6.2]	8.1 [9.8]
End Part-time Employee Coverage+	1.5 [9.4]	2.2 [13.7]
Drop the Plan	11.1	28.9

Key:

* 3,385 employers reported having some health insurance plan.

* 2,808 employers reported providing dependent coverage. The bracketed % is based on that number.

+ 540 employers reported providing benefits for part-timers. The bracketed % is based on that number.

the face of a 30 percent increase, they would favor reducing benefits over keeping the current plan by 30 percent to 22 percent.

Dependent coverage is surprisingly high among the small business owners surveyed. Two thousand eight hundred and eight of the 3,385 employers (83%) who provided coverage for their employees also provided some dependent coverage. A rather high level of resistance to cutting dependent coverage in case of a price increase was encountered, but there was at least some price sensitivity. The number increased by over 50 percent from 6.2 to 9.8 percent when prices were to rise by 30 percent instead of 15 percent.

As expected, more than twice as many employers (28.9% to 11.1%) would drop their plan altogether if prices rose by 30 percent rather than by 15 percent.

The 1,815 employers who reported having no employee health insurance plan were asked how they would respond if the government required all employers to carry a minimum amount of health insurance for all employees who worked 20 hours per week or more. The hypothetical cost of the requirement was $50, $100, or $150 per employee per month. The choices of behavior offered were either to purchase the health insurance and make adjustments elsewhere, let all employees go and continue operating or get out of business. The results are shown in Table 8.2.

A significant majority of the small business respondents appear willing to "swallow" the costs of a modest health insurance mandate, but there is a dramatic jump in the number that would either fire their employees (or reduce hours beneath a legislated minimum) or get out of their business altogether when costs reached $100 per employee per month or more. Virtually all of the currently proposed comprehensive coverage mandates (as opposed to the mandates for inclusion of certain benefits in plans that are voluntarily put in place) project costs considerably in excess of the apparently "tolerable" $50 per month level. These results might give pause to policy makers at both the state and federal levels, if they believed that small business owners would respond as they asserted. This is especially true in light of the important role that small businesses have played

TABLE 8.2: How Would You Respond to Government Mandated Coverage for Your Employees at Various Levels of Cost? (var GOVTREQ, INSCOST1, INSCOST2, questions 24, 25, 26)

	Cost/Month		
Response	**$50**	**$100**	**$150**
Purchase insurance and adjust elsewhere	67.5	46.5	42.0
Let all employees go and continue operating	13.5	25.5	25.9
Get out of business	12.5	21.5	26.4

*Totals do not equal 100 because of non response

in the creation of new jobs over the past decade.

Those employers (763) who indicated that they would purchase the required employee health insurance benefits at the $150 per month level were asked how they would be most likely to make adjustments. Their responses are recorded in Table 8.3. Note that not all respondents had part-time employees, so the percentage reported as making cuts at that level is understated. The two most likely responses by a wide margin were raising prices for the products or services offered by the business (61.9%) and cutting or holding down wage increases (73.1%).

The least likely responses were the elimination of full-time jobs, cutting the owner's earnings and the postponement of plant and equipment expenditures. Most other options were cited by a narrow range of ⅙ to ⅓ of the respondents.

Since there was little enthusiasm among surveyed small business owners for mandated health benefits, those not currently providing any benefits were asked what would cause them to voluntarily do so. The responses, shown in Table 8.4, once again indicate that business profitability and health insurance costs would be the most significant factors. Over half of those responding would expect to voluntarily provide benefits if profits increased or became more stable. It would have been interesting to ask how much profits would have to increase to give rise to this projected act of generosity/compassion.

There is little likelihood of health insurance premiums falling anytime in the foreseeable future. So, it would appear that the leading hope for a voluntary increase in benefits would be via some unspecified increase in profits earned by small businesses. Even if that were to happen, how many actually would introduce a health insurance plan voluntarily is debatable. Owners often cited conditions other than lower rates would stimulate them to offer employee health insurance. There have been projections of serious labor shortages

TABLE 8.3: If you purchased mandated benefits @ $150 per worker per month how would you be most likely to make the adjustments? (Check all that apply.) (var PURCH1-9, questions 24a1-9)

Response	Percent of Business Respondents
Higher prices for product/service	61.9
Eliminate part-time jobs	24.6
Eliminate full-time jobs	11.8
Reduce hours for some employees	29.4
Cut or hold down other employee benefits	51.8
Cut or hold down employee wage increases	73.1
Postpone or cut expenditures for plant/equipment	20.8
"Tighten belt" elsewhere	34.5
Cut or hold down earnings	19.4

TABLE 8.4: What would cause you to voluntarily provide health insurance benefits to your full-time employees? (Check all that apply.)

Response	Percent of Business Respondents
Good employees became more difficult to get	23.1
Qualified for a group plan at group rates	26.9
Business became more profitable/profits more stable	55.2
Insurance costs fell 20%	41.7
Fewer teenage and secondary wage earners in my workforce	5.3
Employees asked for coverage	18.6
Had less employee turnover	9.8
Had fewer part-time employees	4.5
Administrative costs/hassle could be cut	19.0
Insurance costs fell 50%	52.3
Would not provide under almost any circumstance	15.1

in the next decade as the number of new entrants to the labor force will decline and the number of retirees increase.

This could lead to competitive pressures under which improved health benefits might be necessary to attract quality employees (assuming government does not impose mandated benefits first). There have also been several plans advanced for making group rates available to small employers through some form of risk pooling.

It certainly is not encouraging that a hard core of over 15 percent of employers which do not currently offer employee health benefits would not voluntarily do so under almost any foreseeable circumstances. Reasonable incentives would not stimulate the desired actions among this group. Thus, means other than employer incentives would be necessary to obtain coverage for those left uninsured.

Chapter 9

Conclusions

Any conclusions based upon the survey results reported in this document must be tempered with two important caveats. First, although the respondents to this survey appear to adequately represent small business owners across the nation, only members of NFIB were included and the survey acquired a respectable, but limiting, response rate of 29 percent. The responses, therefore, may be biased in unknown ways. Certainly, very small and very new businesses are somewhat under-represented as they are in nearly all surveys of this type.

Second, it is important to note the great diversity of small businesses, the wide range of circumstances they face and the substantial variation in the opinions expressed. The businesses represented in this survey include such diverse groups as: physician and lawyer practices, small manufacturing companies, small retail stores, and small service firms such as hair stylists and real estate brokers. No matter what overall summary is made, there are exceptions. Therefore, any conclusion does not apply to every small business in every circumstance. In some cases, a sizable number of businesses are represented in these exceptions. It would be a mistake to lump all small businesses together when discussing health insurance issues. Even though size is an important consideration when discussing health insurance benefit issues, it is certainly not the only important business characteristic that should be evaluated.

Sixty-three percent of responding small business owners reported that they sponsor a health insurance plan to at least some of their employees. Thirty-eight percent sponsored a plan to all of them. The remainder, about 34 percent, offered no employee health insurance plan. Older and larger firms were more likely to have sponsored a plan as were firms in non-rural areas. Firms engaged in manufacturing or wholesale business activities were most likely to offer a plan and retail trade and service related firms the least likely. Owners that reported using a large percentage of part-time employees and/or employees that owners believed not to be a head of a household were less likely than other firms to sponsor employee health insurance. Prospective employees' interest in health insurance benefits as reported by the owner and the knowledge that the firm's major competitor offered an employee health insurance plan seem to have had an encouraging influence on an owners' propensity to offer

health insurance benefits. Finally, owners' attitudes about the importance of providing health insurance benefits as an employer responsibility and as a means to attract good employees seem to be influential in determining which firms do and do not sponsor health insurance.

Not unlike other Americans, owners of small businesses seem to be faced with a serious dilemma regarding their values about the provision of health services, the high cost of these services, and who has the responsibility for paying the bill for health care. The vast majority of small business owners feel every American has the right to basic health care and most agreed with the statement that Americans should receive a minimum level of health care regardless of their ability to pay. Respondents view the cost of health care and health insurance as a very important and vexing problem. Many business owners believe that because of the high cost of health insurance premiums, their firm's marginal profitability position, and their belief that they could not pass on the cost to customers, providing any (or better) health insurance benefits to their employees would not be a wise financial decision. Approximately one-fifth of owners that do not sponsor a plan believe they do not qualify for group health insurance policies. Many owners believe their employees would prefer wage increases to increased insurance benefits. Furthermore, many are of the opinion that because their employees' families are often covered by the policies of other family members, much of the premium expense would be wasted. Despite these many reasons to not sponsor health insurance, the majority do offer a plan to at least some employees and another majority indicated they would like to provide better, or some, health insurance for employees.

The reasons for wanting to provide employee health benefits appear in many cases to be a result of the belief that it would help them attract better employees, it would improve employee morale, and because they sincerely believe their employees need the benefit. However, most small business owners, especially among those owners not sponsoring a plan, do not consider it their responsibility to provide health insurance to their employees. An overwhelming majority feel that the primary responsibility for health insurance coverage lies with the individual, not employers or government. Furthermore, any type of government mandate to require either employers or individuals to pay health insurance premiums is rejected. In addition, strong opposition is voiced for any government sponsored plan that would raise taxes. Respondents are generally of the opinion that government interferes too much in health care, but they also believe that government must play a more direct role in health care to bring costs under control. While admitting that paying for health care is a serious problem that requires a solution, small business owners face the dilemma that the

feasible solutions also have consequences that are viewed as negatively as the problem itself.

Based upon survey responses, it appears that incentive based plans, such as employer risk pools or tax-based incentives, may entice some employers to add health insurance plans or expand the ones they now offer. However, in order to induce many of the firms not currently offering a plan into participation, the employer's net cost would have to be very low, so low that it is not likely to cover even half the cost of an actuarially fair premium for a moderate benefit package. Owners' responses indicate a 50 percent cut in insurance costs would be required to solicit a change in policy among half of those firms not offering a plan. Even so, 15 percent of those not currently offering an employee health plan indicate they would not provide health insurance under almost any circumstance.

Any government policy that mandates small business owners to cover their employees for health insurance is likely to be accompanied by small business failures, changes in business employment policies that are likely to result in higher unemployment levels, and higher product costs to consumers. Among those small firms not currently offering an employee plan, less than half say they would expect to stay in business as an employer under a mandated program which required a one-hundred dollar per month per full-time employee insurance premium. Over one-fifth of the total small businesses in our sample indicated that under the above described mandated plan they would either lay-off all their employees or would discontinue operations entirely. The effect of a mandated program appears to be sensitive to the net cost borne by the small business. A plan that would cost fifty dollars per month per full-time employee would lead to about half the number of business failures as compared to the hundred dollar version according to survey responses. While these responses are merely opinions based upon a hypothetical circumstance, they are indeed strong enough to warrant extreme caution by policy makers. Because similar health insurance plans are currently more expensive per employee for small businesses than for larger ones, any mandated program would have a penalizing effect on small and new businesses, especially in the service, agriculture, and retail trade sectors. The true long-term impact of the undesirable consequences of a mandatory program are impossible to predict. However, it is clear that many small business owners believe the effect could be devastating.

Endnotes

[1] "The State of Small Business: A Report of the President," 1988, Government Printing Office: Washington, p. 58.

[2] Norwood, Janet, "The Labor Force of the Future," *Business Economics*, vol. 22 (7/87) p. 10.

[3] General Accounting Office (GAO), *Health Insurance, An Overview of the Working Uninsured*, U.S. Government Printing Office: Washington, D.C. (GAO/HRD-89-45) (2/89).

[4] *Ibid.*

[5] General Accounting Office, (GAO), *A Profile of the Uninsured in Ohio and the Nation*, U.S. Government Printing Office: Washington D.C. (GAO/HRD-88-83) (8/30/88).

[6] *Medical Benefits*, vol. 6-18 (9/30/89), p. 2.

[7] *Medical Benefits*, vol. 6-20 (10/30/89), p. 3.

[8] American Hospital Association, *Cost and Compassion: Recommendations for Avoiding a Crisis for the Medically Indigent*, AHA: Chicago, 1986.

[9] Wilensky, Gail R., "Public, Private Sector Options to Cover Uninsured Workers," *Business and Health*, vol. 4 (1/87), p. 42.

[10] *op. cit.*, GAO, *Health Insurance, An Overview*, (2/89).

[11] *Ibid.*

[12] Small Business Administration, *Health Care Coverage and Costs in Small and Large Businesses: Final Report*, U.S. Government Printing Office: Washington, D.C., (4/15/87).

[13] *Ibid.*

[14] Dunkelberg, William C., and Scott, Jonathan A., "Report on the Representativeness of the National Federation of Independent Business Samples of Small Firms in the United States," Small Business Administraiton, (7/85), Mimeo.

[15] Dennis, William J., Jr., *Small Business Problems and Priorities*, National Federation of Independent Business, Washington, D.C., (6/86).

[16] Powers, Mark and Ralston, August, "State Mandated Group Health Insurance Coverages," *Benefits Quarterly*, (Winter 1989), pp. 1-2.

[17] *op. cit.*, GAO, "Health Insurance: An Overview," (2/89).

[18] Employee Benefits Research Institute, "A Profile of the Nonelderly Population Without Health Insurance," (5/87), pp. 14-15.

[19] Dennis, William J., Jr., *Small Business Employee Benefits*, National Federation of Independent Business, Washington, D.C., (12/85).

[20] Cox, D.R., *Analysis of Binary Data*, London: Methuen & Company Ltd., 1970.

Appendix

SMALL BUSINESS AND HEALTH

1. What is your form of business?
   1. Proprietorship 2. Partnership 3. Sub-S Corp 4. Corporation

2. What is your major type of business activity? (If more than one, mark the **one** that contributes most toward your gross sales.)
   1. Construction, e.g., plumbing and heating, general contractor, painting, electrical, etc.
   2. Manufacturing and mining, including printing, processing, publishing, etc.
   3. Transportation/Communication, e.g., trucking, warehousing, radio station, travel agency, etc.
   4. Wholesale, including manufacturer's rep, grain elevator, distributor, etc.
   5. Retail, e.g., service station, restaurant, drug store, florist, apparel store, etc.
   6. Agriculture, e.g., veterinarian, landscaping, fishing, forestry, etc.
   7. Financial Services, e.g., banking, insurance, real estate
   8. Services, e.g., garage, motel, laundry, photography, barber/beauty shop, repair service, rental agency, bookkeeping, etc.
   9. Professional Services, e.g., physician, attorney, engineer, CPA, skilled nursing home, etc.
   10. Other _____

3. Do you agree or disagree with **each** of the following statements? (Mark the appropriate answer.)

	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly Disagree (5)
a. Americans should receive a minimum level of health care regardless of their ability to pay	1a	2a	3a	4a	5a
b. Employees prefer wage increases to increases in health insurance benefits	1b	2b	3b	4b	5b
c. The cost of health insurance is a serious business problem	1c	2c	3c	4c	5c
d. Health insurance should be one of the first employee benefits that employers provide	1d	2d	3d	4d	5d
e. An employee health insurance plan is a good way to get coverage for me/my family	1e	2e	3e	4e	5e
f. Taxes should be raised to increase the poor's access to health care	1f	2f	3f	4f	5f
g. Employers with employee health insurance pay for employers without it	1g	2g	3g	4g	5g
h. Higher paid employees show more interest in health benefits than do lower paid employees	1h	2h	3h	4h	5h

4. How many employees do you have, **not** including yourself?
   _____ full-time employees (1-3) _____ part-time employees (4-5)

5. Which **best** describes your employee turnover?
   1. High Turnover — (Most employees stay only a few months)
   2. High Turnover with Stable Core — (Many leave quickly, but a core stay with me)
   3. Moderate Turnover — (Most employees stay a few years)
   4. Little Turnover — (Rarely an employee change)

6. Approximately what percentage of your **full-time** employees are "heads-of-household," i.e., the family's primary bread winner?
   1. None 2. 1%-25% 3. 26%-50% 4. 51%-75% 5. 76%-100%

7. Do you agree or disagree with **each** of the following statements? (Mark the appropriate answer.)

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
a. The cost of employee health insurance can be passed on to customers in the form of higher prices	1a	2a	3a	4a	5a
b. Full-time employees show more interest in health benefits than do part-time employees	1b	2b	3b	4b	5b
c. Drug, alcohol abuse is a national problem	1c	2c	3c	4c	5c
d. Drug, alcohol abuse is a problem for my business	1d	2d	3d	4d	5d
e. Government should pay the health insurance premiums of those who can't afford to do so	1e	2e	3e	4e	5e
f. There is no real competition among providers of health care services	1f	2f	3f	4f	5f
g. Business profitability doesn't let me provide the employee health benefits I would like to provide	1g	2g	3g	4g	5g
h. Every American has a right to basic health care	1h	2h	3h	4h	5h

8. During the last calendar or fiscal year, what were your gross receipts?
   1. Under $100,000 3. $200,000-349,999 5. $750,000-1,499,999 7. $5 Million and Over
   2. $100,000-199,999 4. $350,000-749,999 6. $1,500,000-2,999,999

9. Which **best** describes your **annual** gross sales over the last two years?
   1. Declined (More than 10%) 3. Stayed the Same 5. Grew Rapidly (26%+)
   2. Declined a Bit (5-10%) 4. Grew (5-25%) 6. Too New

Do you agree or disagree with each of the following statements? (Mark the appropriate answer.)

	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly Disagree (5)	
a. Government must play a more direct role in health care to bring health costs under control	1a	2a	3a	4a	5a	a
b. Businesses can't attract first-rate employees without providing health insurance	1b	2b	3b	4b	5b	b
c. Employers should provide full-time and part-time employees the same benefits	1c	2c	3c	4c	5c	c
d. Health care is becoming prohibitively expensive	1d	2d	3d	4d	5d	d
e. If an employer does not provide health insurance, employees should be required to buy their own coverage	1e	2e	3e	4e	5e	e
f. Potential health insurance costs influence my selection of employees	1f	2f	3f	4f	5f	f
g. AIDS is the nation's most serious public health problem	1g	2g	3g	4g	5g	g
h. Administering an employee health insurance plan is (would be) a nightmare	1h	2h	3h	4h	5h	h

How long have you owned/operated this business? _____ years — w-y

Which best describes the area in which your business is located?

1. Rural area 2. Small city or large city suburb 3. Large city — z

Do you agree or disagree with each of the following statements? (Mark the appropriate answer.)

	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly Disagree (5)	
a. I would like to provide better (some) employee health insurance	1a	2a	3a	4a	5a	a
b. Prospective employees show lots of interest in health insurance benefits	1b	2b	3b	4b	5b	b
c. Employers should help rehabilitate employees with alcohol or drug problems	1c	2c	3c	4c	5c	c
d. I could earn more working for someone else than in this business	1d	2d	3d	4d	5d	d
e. Health insurance premiums are often wasted because many employees are covered by policies of other family members	1e	2e	3e	4e	5e	e
f. Employee health insurance should be a reward for loyal service, not just granted everyone	1f	2f	3f	4f	5f	f
g. Government interferes in health care too much	1g	2g	3g	4g	5g	g
h. Older employees are more interested in health benefits than are younger employees	1h	2h	3h	4h	5h	h

Does your major competition(s) provide employee health insurance?

1. Yes 2. No 3. Don't Know — i

Do you agree or disagree with each of the following statements? (Mark the appropriate answer.)

	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly Disagree (5)	
a. Employers should be required to provide a basic level of employee health insurance	1a	2a	3a	4a	5a	a
b. Most part-time employees do not need the type of benefits full-time employees do	1b	2b	3b	4b	5b	b
c. Employees should pay at least half of the premiums in an employer-sponsored health plan	1c	2c	3c	4c	5c	c
d. My firm has lost good or potentially good employees because of inadequate health benefits	1d	2d	3d	4d	5d	d
e. Insurers compete hard to sell me employee health insurance	1e	2e	3e	4e	5e	e
f. Individuals themselves have first responsibility to see that they have health insurance coverage	1f	2f	3f	4f	5f	f
g. Health insurance costs raise (would raise) payroll costs to the point where it is (would be) difficult to compete	1g	2g	3g	4g	5g	g
h. Employers have a responsibility to provide employee health insurance	1h	2h	3h	4h	5h	h

Assuming costs cannot be split or shared, who should pay the health insurance premiums of

a. a person working full-time whose total family income is about $25,000 a year?
1. the person 2. the person's employer 3. government — g

b. a person working full-time whose total family income is less than $10,000 a year?
1. the person 2. the person's employer 3. government — h

c. an unemployed person?
1. the person 2. the person's former employer 3. government — i

d. the children of a person working full-time whose total family income is about $25,000 a year?
1. the person 2. the person's employer 3. government — j

e. a part-time worker whose total family income is less than $10,000 a year?
1. the person 2. the person's employer 3. government — k

f. a teenage, part-time worker, living at home whose total family income is about $25,000 a year?
1. the person/family 2. the person's employer 3. government — l

17. If you wanted to increase compensation for your **full-time** employees by $100 per month, how would you do it? (**Mark one** only.)
1. Provide $100/mo. in wages
2. Provide $100/mo. in health insurance benefits
3. Provide $100/mo. in benefit(s) other than health insurance

a. If you wanted to increase compensation for your **part-time** employees by $50 per month, how would you do it? (**Mark one** only.)
1. Provide $50/mo. in wages
2. Provide $50/mo. in health insurance benefits
3. Provide $50/mo. in benefit(s) other than health insurance
4. No part-time employees

18. Within the last year, has one or more employees inquired either about instituting a health insurance plan or increasing health insurance benefits under the present plan?
1. Yes, several inquiries
2. Yes, a few inquiries
3. Casual references, but no inquiries
4. No inquiries

a. If "yes," how did you handle the inquiries? (Mark the **one best** answer.)
1. Explained requests weren't currently possible 2. Generally satisfied employee requests 3. Still looking into them

19. Do you sponsor a health insurance plan for your employees?
1. Yes, all employees 2. Yes, some employees 3. No (Please go to #25)

a. Estimate your cost of employee health insurance as a percent of total wages/salaries paid. (Do **not** include any employee contribution.)
1. 1%-2% 2. 3%-4% 3. 5%-6% 4. 7%-8% 5. 9%-10% 6. More than 10%

b. If "yes," are part time employees usually (perhaps after a waiting period) eligible to participate in the plan?
1. Yes 2. No 3. No Part Time Employees

b1. If "no," why do you cover full-time employees, but **not** part-time employees? (Mark **all** that apply.)
1. Insurance more expensive per hour of work for part-timers
2. Part-timers more often want wages than benefits
3. Higher turnover among part-timers
4. Administrative costs/hassle increase enormously
5. Part-timers easier to replace
6. Can't find insurance proportionate to the hours they work
7. Need compensation differences between full and part-timers
8. Can't afford to cover everyone; the first concern has to be my full-time employees
9. Other (please explain) _____

c. Are dependents of covered employees eligible?
1. Yes 2. No

d. Are there employees excluded due to preexisting health conditions or older age?
1. Yes 2. No

e. Are you, your family covered under the same plan as the employees?
1. Yes, and a supplemental plan 2. Yes 3. No

20. Why did you institute an employee health insurance plan? (Mark **all** that apply.)
1. Employees asked for it
2. Couldn't get, keep good employees without it
3. Employees needed it
4. Union negotiated
5. A tragic event
6. Good way to cover me/my family
7. Boost employee morale
8. Cheaper than a wage increase
9. Plan in place before I took over
10. Other _____

21. Suppose the cost of your health insurance plan rose 15 percent within the next year, what would you do? (**Mark all** that apply.)
1. Keep the plan I now have
2. Raise deductibles, raise employee share of premium, etc.
3. Lower plan benefits
4. End dependent coverage
5. End part-time employee coverage
6. Drop the plan

22. Suppose the cost of your health insurance plan rose 30 percent within the next year, what would you do? (**Mark all** that apply.)
1. Keep the plan I now have
2. Raise deductibles, raise employee share of premium, etc.
3. Lower plan benefits
4. End dependent coverage
5. End part-time employee coverage
6. Drop the plan

IF YOU HAVE AN EMPLOYEE HEALTH INSURANCE PLAN, go to question #29

23. IF YOU DO **NOT** HAVE AN EMPLOYEE HEALTH INSURANCE PLAN, why don't you have one? (Mark **all** that apply.)
1. Premiums too high
2. Employee turnover too great
3. Employees generally covered under a spouse or parent's policy
4. Administrative expenses too high
5. Employees prefer cash/Lack of employee interest
6. Business insufficiently profitable
7. Profits too unstable from year to year to commit to such a fixed cost
8. Don't need insurance to attract good employees
9. Can't qualify for a group policy at group rates
10. Other (please specify) _____

a. If you can't qualify for a group policy, what is the reason?
1. Too new in business
2. Type of business or industry that I'm in
3. Age of employees I have
4. Health condition of employees I have
5. Other _____
6. Don't Know

4. Suppose the government required all employers to carry a minimum amount of employee health insurance. The cost of the insurance would be about $150 per employee (full-time and part-time of 20 hours a week or more) per month. If this were to occur, how would you respond?

1. Purchase employee health insurance and adjust elsewhere 2. Let all employees go and continue operating 3. Get out of your business [12]

a. If you decided to purchase insurance, how would you be most likely to make the adjustments? (Mark all that apply.)

1. Charge higher prices for my products/services [13]
2. Eliminate part-time jobs [14]
3. Eliminate full-time jobs [15]
4. Reduce hours for some employees [16]
5. Cut or hold-down other employee benefits [17]
6. Cut or hold-down employee wage increases [18]
7. Postpone or cut expenditures for plant/equipment [19]
8. "Tighten belt" elsewhere [20]
9. Cut or hold-down earnings [21]

5. Suppose the cost of insurance was $100 per employee per month instead of $150. How would you most likely respond?

1. Purchase employee health insurance and adjust elsewhere 2. Let all employees go and continue operating 3. Get out of your business [22]

6. Suppose the insurance cost was $50 per employee per month. How would you most likely respond?

1. Purchase employee health insurance and adjust elsewhere 2. Let all employees go and continue operating 3. Get out of your business [23]

7. Are you, your family covered by health insurance?

1. Yes, individual policy 2. Yes, spouse's policy 3. No [24]

8. What would cause you to voluntarily provide health insurance benefits to your full-time employees (Mark all that apply.)

1. Good employees became more difficult to get [25]
2. Qualified for a group plan at group rates [26]
3. Business became more profitable or profits became more stable [27]
4. Insurance costs fell 20 percent [28]
5. Fewer teenage and secondary wage-earners in my workforce [29]
6. Employees asked for coverage [30]
7. Had less employee turn-over [31]
8. Had fewer part-time employees [32]
9. Administrative costs/ hassle could be cut [33]
10. Insurance costs fell 50 percent [34]
11. Wouldn't provide under almost any circumstance [35]

9. About how much did you take out (salary, draw, earnings, etc.) of the business last year?

1. Prefer Not to Answer 4. $20,000-29,999 7. $50,000-59,999
2. Under $10,000 5. $30,000-39,999 8. $60,000-69,999 [36]
3. $10,000-19,999 6. $40,000-49,999 9. $70,000 or more

THANK YOU

The NFIB Foundation

An Affiliate of
National Federation of Independent Business

Suite 700
600 Maryland Ave. SW
Washington, DC 20024

$15.00

ISBN 0-940791-08-0

78